



REPORT

No. NF-PA-32/1.

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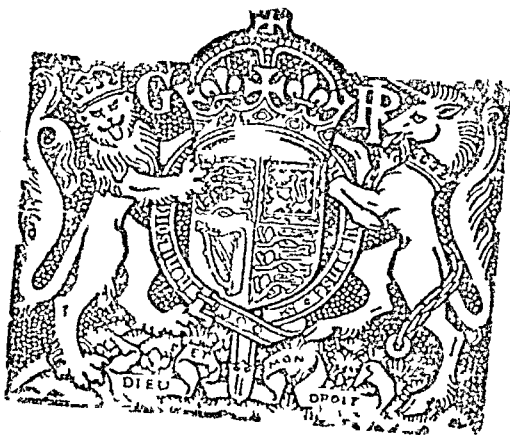
PUBLIC ACCOUNTS COMMITTEE

ON THE

ACCOUNTS OF 1931-32

Volume I REPORT

Part I Civil, Military and Posts and Telegraphs



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# Report of the Public Accounts Committee on the Accounts of 1931-32 other than Railways.

## I. EXCESS VOTES.

1. *General summary* The following table compares the total grants voted by the Legislative Assembly with the total expenditure against those grants

	(In lakhs of rupees )*			
	Original grant	Supple- mentary grant	Final grant	Actual expendi- ture
Expenditure charged to Revenue	1,09,69	6,16	1,15,85	1,08,65
Expenditure charged to Capital	13,29		13,29	8,35
	1,22,98	6,16	1,29,14	1,17,00
Disbursements of loans and advances	9,15	6,78	15,93	14,21
Grand Total	1,32,13	12,94	1,45,07	1,31,21

2 The following table compares the non-voted appropriations sanctioned by the Government of India with the total expenditure against such appropriations

	(In lakhs of rupees )			
	Original appro- piation	Supple- mentary appro- piation	Final appro- piation	Actual expendi- ture
Expenditure charged to Revenue	1,20,10	70	1,20,80	1,19,70
Expenditure charged to Capital	13	6	19	20
Total Expenditure	1,20,23	76	1,20,99	1,19,90

\* The figures in paragraphs 1 to 5 include Railway figures



3 The position regarding total expenditure, voted and non-voted, is as follows

	(In lakhs of rupees)		
	Original grant	Final grant	Actual expenditure
Expenditure charged to Revenue	2,29,79	2,36,65	2,28,35
Expenditure charged to Capital	13,42	13,48	8,55
Total Expenditure	2,43,21	2,50,13	2,36,90
Disbursements of loans and advances	9,15	15,93	14,21
Total	2,52,36	2,66,06	2,51,11

4 *Savings* There was thus a saving of 14,95 lakhs or 5.6 per cent in the final grant. The percentage compares as follows with the results of previous years

	1927-28	1928-29	1929-30	1930-31	1931-32
Expenditure charged to Revenue	6	1.1	1.4	5	3.5
Expenditure charged to Capital	3.4	3.8	10.2	19.9	36.6
Disbursements of loans and advances	1	— 3	— 3	— 20.3	10.8
Combined percentage	1.0	1.4	2.4	1.2	5.6

5 The following table compares the percentage of savings under voted grants for expenditure proper (*i.e.*, exclusive of disbursements of loans and advances) with that of savings in non-voted appropriations

Year	Voted	Non voted
1927-28	— 4	2.8
1928-29	2.4	3
1929-30	4.0	8
1930-31	4.0	— 1
1931-32	9.4	9

6 *Excesses* In the following cases the actual expenditure exceeds the voted grants and an excess vote of the Assembly is accordingly required

Item No	Number of Grant	Grant	Amount voted by the Assembly	Actual expenditure	Excess
			Rs	Rs	Rs
1	20	Stamps	2,000	7,762	5,762
2	26	Interest on Miscellaneous obligations	47,78,000	48,90,238	1,12,238
3	74	Superannuation Allowances and Pensions	46,98,000	56,60,750	9,62,750
4	76A	Expenditure on Retrenched personnel charged to Revenue		2,69,155	2,69,155
5	77	Refunds	84,43,000	90,31,307	5,88,307
6	80	Dulhi	43,69,000	44,74,697	1,05,697
7	96A	Expenditure on Retrenched personnel charged to Capital		1,42,779	1,42,779

7 A brief explanation of each excess is given below

*Item 1* The excess was due to the Security Printing Press having sustained a loss during the year as the result of a fall in the demand for the products of the Press

*Item 2* The voted charges under this grant represent mainly payments to the Posts and Telegraphs Department for savings bank and cash certificate work. The excess was due to an increase in the number of savings bank transactions beyond that anticipated when the supplementary grant was obtained under this head

*Item 3* The excess was mainly due to the abnormally large number of retirements towards the close of the year as a result of the retrenchment campaign and to the adjustment of Posts and Telegraphs Department pensionary liability at a lower rate than anticipated

*Items 4 and 7.* These items have been dealt with in paragraph 15 of this Report

*Item 5* The excess occurs mainly under customs refunds and is partly due to the late adjustment of debits connected with the refund of excise duty on motor spirit and kerosene produced in Burma and exported to Kashmere and Afghanistan

*Item 6* An unanticipated grant-in-aid made to the New Delhi municipality to meet expenditure on certain activities transferred to it from the Public Works Department caused the excess. This was largely counter-balanced by corresponding savings in the Public Works grant

8 We recommend that the Assembly assent to the excess grants detailed in paragraph 6 above, which the Governor-General in Council will place before them in due course

9 Rule 52 (2) of the Indian Legislative Rules requires that we should bring to the notice of the Assembly every reappropriation from one grant to another grant, every reappropriation within a grant which is not made in accordance with such rules as may be prescribed by the Finance Department and all expenditure which the Finance Department have requested should be brought to the notice of the Assembly. We are glad to be able to report that there have been no reappropriations falling under these categories during the year, nor have the Finance Department requested us to bring to the notice of the Assembly any particular item of expenditure

## II—COMMENTS ON MATTERS OUTSTANDING FROM PREVIOUS REPORTS

10 *Disposal of surplus stocks of quinine* We were informed that in accordance with the recommendations of the previous Public Accounts Committee arrangements had been made for the disposal of the surplus stock of quinine held by the Government of India after retaining 150,000 lbs as a reserve stock in accordance with the advice given by the experts. In view of the impending constitutional changes and the introduction of Provincial Autonomy we do not think that the Government of India should at

its own expense maintain a large stock of quinine for supply to the Provincial Governments after the new constitution comes into being. We therefore suggest that if the arrangements now made for the disposal of the surplus stock are successful, the Government of India should reconsider the amount of the reserve stock to be maintained by them

#### 11 *Utilisation of unanticipated credits to cover excess expenditure*

The Public Accounts Committee in paragraph 29 of their Report on the accounts of 1930-31 observed that unanticipated credits should not be utilised for the purpose of covering expenditure in excess of the grant and recommended that such credits should be treated in the accounts as receipts and not as deductions from expenditure. The Auditor General has explained to us that the fact of anticipation or non-anticipation of a credit is not really a valid criterion for classification and that he cannot classify an item as a receipt or as a deduction from expenditure merely according to the accuracy of a previous forecast. He entirely agrees with us that such credits should not provide excess supplies for the spending departments without the fact being brought to the specific notice of the Assembly. He has therefore suggested that such items should be brought to the notice of the Assembly either through the Budget memorandum or the review of Appropriation Accounts. We feel that this suggestion will not be enough to give the Assembly proper control over the matter. We therefore recommend that, in cases where substantial unanticipated credits are to be utilised to incur fresh expenditure which would not have been incurred but for such credits, the approval of the Standing Finance Committee should be obtained in the same way as for items of supplementary grants.

12 (a) *Andamans Forests* With regard to the subjects of royalty and shipping freights on timber, we have accepted the Government view as recorded in paragraphs 20 and 21 of the Proceedings of our meetings.

(b) *Andamans Butchery and Dairy* We are glad to note that as a result of many improvements introduced in these two concerns the Butchery made a profit in 1932-33 against losses in previous years and the loss of the Dairy was considerably reduced. We are not, however, satisfied as to the need for maintaining the Dairy if it can only be run at a loss and suggest that the Government of India should further examine the point.

### III--IMPORTANT COMMENTS ON MATTERS ARISING OUT OF THE ACCOUNTS FOR 1931-32.

13 *Accuracy of budgeting, control over expenditure, etc.* From the point of view of accurate estimating and efficient control of expenditure the year 1931-32 was one of peculiar difficulties. Owing to the severity of the financial stringency the Finance Department had to make heavy reductions in the estimates of the various Departments and as this had to be done at short notice, summary methods were adopted. After the budget was passed, various sub-committees of the Retrenchment Advisory Committee got to work, a large number of schemes of retrenchment and economy were brought into force from time to time during the year and in many cases it was difficult to forecast exactly what savings might be expected to accrue during the year from those schemes. Percentage cuts

in the pay of Government officers were also applied, with effect from the 1st December 1931. Throughout the year the primary responsibility of every controlling and disbursing officer was to reduce expenditure as far as possible and not merely to keep it within his allotment. Some confusion was also caused by the amalgamation of certain accounts and audit offices during the year, itself a measure of retrenchment. There were also abnormal circumstances affecting the Army expenditure, *viz*, disturbances in various parts of India, such as the Burma rebellion, and variation in the prices of stores, particularly food-stuffs. For these reasons we agree with the Auditor-General that the conditions of the year 1931-32 were such that no safe conclusions can be reached regarding the standard of estimating and that there was no marked deterioration in control over expenditure.

As regards the Posts and Telegraphs Department however, we agree with the Auditor-General that even after due allowance is made for the abnormal conditions of the year, current control of expenditure continued to be inadequate, although we recognise that some progress has been made. The Director-General explained to us the various steps taken to improve the current control of expenditure.

After the Incheape Committee's Report, the post of a Financial Adviser was created for the Department and the present Director-General was one of the earlier occupants of this office. He told the Committee that during his régime as Financial Adviser he had other duties of a Secretarial nature which occupied much of his time. The present Financial Adviser informed the Committee that he had no specialized staff to help him in his work. Whatever may be the explanation, we consider the position as disclosed in this Report and in previous reports unsatisfactory and recommend that the Government should take urgent action to remove any defects that they may find to exist in the organisation.

14 *Financial Irregularities* - We have gone very carefully into the cases of financial irregularities included in the various reports. Such irregularities in the Civil Departments were not numerous. A case was brought to our notice in which a theft occurred from a sub-treasury as a result of the sub-treasurer's action in handing over his set of sub-treasury keys to a chaprasi to be taken to the sub-treasurer for the day. The local Administration issued orders impressing on all officials concerned with the administration of treasuries the need for strict observance of the rules in the Treasury Manual, but did not consider that any disciplinary action was necessary against the sub-treasury officer. We understand that such cases are not reported to the Government of India unless there is some loss to be written off by the Government of India. We consider that this is not satisfactory and that arrangements should be made for the reporting of all such cases of theft, fraud or defalcation, etc., to the Government of India in the administrative Department concerned so as to enable them to judge whether the action taken by the local Administration was sufficient.

A grant-in-aid equivalent to 50 per cent of the actual expenditure on equipment was admissible to a certain college. A sum of Rs 5,000 was paid to the college on the basis of an estimate of the probable expenditure, but later on it was found that the actual expenditure incurred by the college was less than Rs 10,000 and the excess amount paid to

the college had to be regularised by the Government of India. We understand that in some Provinces the procedure is that, in cases, where the grant-in-aid is expressed as a certain percentage of the actual expenditure incurred by the institution, the amount is paid only after the production of vouchers. We suggest that the Government of India should consider whether a similar procedure could not be introduced in the areas directly administered by them.

As regards the Army Department, the subject has been fully dealt with in the Report of the Military Accounts Committee and the proceedings attached to it.

15 *Grants for expenditure on retrenched personnel.* The Auditor-General has brought to our notice that though the expenditure on retrenched personnel was known to be inevitable before the close of the year, no steps were taken to obtain supplementary grants from the Assembly to cover it. The Financial Secretary explained to us that it was extraordinarily difficult to frame even the vaguest estimate of the expenditure likely to be incurred during the year, which was clear from the fact that against a provision of Rs. 20 lakhs in the revised estimates the actual expenditure amounted only to little over Rs. 4 lakhs. He added that the Assembly knew that such expenditure was being incurred, as the terms given to retrenched personnel had been brought specifically to its notice. We realise the difficulties of preparing an estimate of this expenditure, but consider that from a constitutional point of view it was incorrect not to have obtained some specific vote from the Assembly even though the Assembly knew that such expenditure was being incurred.

16 *Trading results of Government of India commercial concerns.* The Accountant-General, Central Revenues, has in paragraphs 22-29 of the Commercial Appendix given a comprehensive review of the financial results of all the Central Government commercial concerns and indicated in a clear form and comparatively brief compass the special features of the accounts of these concerns. As observed by the Accountant-General, some of these concerns show improvements, but the total extent of the deterioration in others far exceeds the amount of the improvement, mainly due to the widespread and continued fall in prices and the general economic depression. We agree with the Auditor-General that the results of the year are not any worse than the prevailing financial conditions would give reasons to expect.

17 *Abolition of commercial accounts in certain commercial concerns—Appendix XV.* It was explained to us that the commercial activities of the Imperial Institute of Animal Husbandry and Dairying, Bangalore, the Imperial Cattle Breeding Farm, Karnal, cultivation and cattle breeding experiments in the Agricultural Section of the Imperial Institute of Agricultural Research, Pusa, had been considerably curtailed and their activities were now confined to education and research. In the Imperial Cattle Breeding Farm, Karnal, only the cultivation accounts had been commercialised, but now practically all the lands were leased out to tenants. At Pusa, commercial accounts were maintained only for the Agricultural Section and the Government of India had laid down that the maintenance of commercial accounts should not be regarded in any measure as implying that education and research work should be sacrificed in order to run an institution as a profit-making concern. The Kitchen Garden of

the Imperial Institute of Agricultural Research at Pusa was only a very small affair. The Auditor-General agrees to the proposal to abolish commercial accounts in all these concerns partly because this will lead to some economy but mainly because he is convinced that the research and educational functions of these concerns outweigh so much the commercial side that commercial accounts can not actually be of much service. We also accept the proposal but on the distinct understanding that, if in any of these concerns commercial activities are revived, commercial accounts should be re-introduced.

18 *The Indian Stores Department* We discussed in detail with the Chief Controller of Stores the *pro forma* profit and loss accounts of the Indian Stores Department which showed a heavy loss during the year under review. The Chief Controller explained that as a result of the large fall in prices the commission credited to the Department, which was based on a percentage of the price of stores, had fallen considerably. He also mentioned that a correct estimate of the financial position could only be obtained if on the receipt side of the account credit could be taken for the large savings in the expenditure budgets of the consuming departments on the cost of stores purchased through the Indian Stores Department and that it was also impossible to assess in rupees, annas and pies the value of the services rendered by the Department in connection with the promotion and encouragement of Indian industries. We are of opinion that, though the *pro forma* accounts are very useful for the purpose of enabling us to keep a general watch upon the operations of the Department, the Department cannot be expected to be self-supporting on the basis of those accounts at any rate at a time when the prices of all commodities are as low as at present.

19 *Financial position of the Indian Posts and Telegraphs Department* We have perused the memoranda furnished by the Director-General, Posts and Telegraphs (Annexures I and II to the Proceedings of the 7th and 8th meetings) on the future commercial prospects of the Indian Posts and Telegraphs Department and on the various measures taken to reduce the expenditure of the Department. We note that the Director-General hopes that if the improvement in revenue which is noticeable in the first three months of 1933-34 is maintained, the economy campaign which is being pursued steadily will enable the Department to balance its budget in the not distant future.

20 *Report of the Military Accounts Committee* We append the Report submitted by the Military Accounts Committee (Annexure A) constituted to make a preliminary examination of the Military Appropriation Accounts and connected documents. We endorse the recommendations and observations of the Committee both in its Report and in the accompanying proceedings of its meetings. As regards the special point of the *pro forma* account of expenditure on Auxiliary and Territorial Forces, we agree with that Committee that the present arrangements are unsatisfactory from a practical point of view. We therefore approve of the suggestion of the Army Secretary that proposals should be worked out for classifying the cost of certain units as wholly debitable to the *pro forma* account and the cost of others as wholly debitable to the ordinary Army grant.

#### IV. MISCELLANEOUS OBSERVATIONS.

21 We were consulted on the action to be taken to reconstitute the Committee in view of the extension of the life of the present Assembly and after full consideration we recommended that a new Public Accounts Committee should be constituted on the expiry of the normal term of three years

22 As in the previous years, we append to our Report minutes of our proceedings which we consider should be treated as part of the Report. We assume that in accordance with the established practice action will be taken by Departments as necessary on the observations and recommendations contained in these proceedings

23 We wish to thank the Auditor-General for his lucid comments on the various Appropriation Accounts which greatly facilitated our work and also for the assistance which he rendered to us throughout the proceedings

24 We also wish to express our appreciation of the valuable services rendered to us by our Secretary, Mr K Sanjiva Row

A H LLOYD

M C RAJAH

T N RAMAKRISHNA REDDI

ISMAEL ALIKHAN

S C MITRA

K P THIAMPAN

M A AZIM

J RAMSAY SCOTT

R D DALAL

K SANJIVA ROW,

(Secretary)

25 The non-official members of the Committee desire to record their appreciation of the ability, energy and tact with which the Chairman guided its deliberations

M C RAJAH

T N RAMAKRISHNA REDDI

ISMAEL ALIKHAN

S C MITRA

K P THIAMPAN

M A AZIM

J RAMSAY SCOTT

R D DALAL

*Dated the 25th August 1933.*

## ANNEXURE A

## Report of the Military Accounts Committee

We were constituted in pursuance of the recommendations of the Public Accounts Committee of the year 1931-32 in paragraph 31 of their Report to make a preliminary examination of the Military Appropriation Accounts and connected documents. In our task we received great assistance not only from the Auditor General and the Financial Adviser, Military Finance, and his staff but also from the Army Secretary and the officers of Army Headquarters who appeared before us. We have once again to record our appreciation of the obvious desire of the Army authorities to secure every possible economy and stricter financial control, of the efficacy of the action which they have taken to this end and of their readiness to accept any proposals in this respect which we found ourselves able to suggest to them.

2 The results of our examination of the Appropriation Accounts and connected documents are as usual embodied in the proceedings of our meetings (Annexure I) and it is unnecessary for us here to do more than to refer to the more important points.

3 *Revision of Army Regulations.* In view of the numerous instances of wrong payments due to the complexity and obscurity of the existing rules last year's Committee had recommended that the steps taken to simplify and amend the existing regulations should be reported to us this year. The Auditor General in his letter forwarding the Appropriation Accounts again pointed out that the accounts with which we had to deal this year provide ample evidence that not only have irregularities been caused by the bulk and complexity of the regulations but that the unskilful and careless drafting of individual orders has led to losses that were not inconsiderable in total amount. He has therefore suggested that two measures are necessary —

- (1) more careful scrutiny by the Finance Branch in conjunction with the office of the Military Accountant General of the drafts of proposed rules, and
- (2) the immediate incorporation in the relevant regulations of new orders affecting them.

We are informed that both these suggestions have already been given effect to. We are also glad to note that with a view to achieve real and lasting simplification of the regulations some progress has been made in the preparation of basic rules applicable to the various classes of personnel. We suggest that everything possible should be done to accelerate the work. We agree with the Auditor General that the cause of the trouble in the past has been the tendency of the Army Department to issue special orders to meet individual cases outside the ordinary regulations. We therefore strongly endorse the Auditor General's suggestion that having got the basic rules the Army Department should resist any such tendency.

4 *Authorised war reserves of stores.* As recommended by the Committee last year, the Quartermaster General and the Master General of Ordnance have furnished the necessary certificates in regard to the existence in stock of all the authorised war reserves of stores on the 31st March 1933. Copies of these certificates are attached to our proceedings.



5 *Pro forma account of expenditure on Auxiliary and Territorial Forces.* The Financial Adviser has in the Appropriation Accounts furnished a *pro forma* account of special expenditure incurred in 1931-32 for the expansion of the Territorial Force. The Army Secretary explained to us the difficulties involved in compiling figures of expenditure debitable to the *pro forma* account as certain charges in a particular unit were so debitable while others were not. He has therefore suggested that it would be much simpler if the complete cost of certain units were debited to the *pro forma* account and the complete cost of others to the ordinary Army Grant. We recognise the difficulties pointed out by the Army Secretary and suggest that the Public Accounts Committee should consider the suggestions made by the Army Secretary.

6 *Expenditure on special programme measures.* We were furnished by the Army Secretary with a certificate from the Chief of the General Staff stating that the expenditure on programme measures up to the 31st March 1933, was estimated at Rs 725 30 lakhs, that funds to the extent of Rs 39 34 lakhs had been provided in the budget estimates for 1933-34 and that all outstanding measures could be completed by a further expenditure of Rs 226 7 lakhs. We would like to point out in this connection that the estimate, *viz*, Rs 10 crores, of the cost of special measures was framed before the fall in prices. We, therefore, suggest that the Army Department should carefully examine the question whether the total expenditure on these measures could not be reduced in view of this fall in prices, although we recognise that, for valid reasons, the fall has not been felt by certain classes of Military stores.

7 *Claims against other Governments.* The Auditor General has brought to our special notice a number of cases of failure to debit other Governments or Departments with expenditure properly debitable to them. We were informed by the Military Accountant General that a special procedure had been introduced last year to ensure that such claims should not be overlooked. In view of the fact that some of the claims against other Governments, etc., had been overlooked for very long periods in the past, we would suggest that the Financial Adviser, Military Finance, should consider whether some arrangements could not be made to review periodically as far as practicable all agreements with outside parties which entitled them to concessions.

8 *Military Engineer Services.* We went through the special review of expenditure on Military Engineer Services prepared by the Financial Adviser as desired by the previous Committee. The review is lucid and informative and we hope its value may be still further enhanced when the Financial Adviser is able to incorporate his projected improvements. The year 1931-32 was, however, quite exceptional as in several cases deliberate departures were made from the basis on which the budget estimates had been framed with a view to secure a maximum amount of economy as a result of the retrenchment campaign. We therefore agree with the Auditor General that it would not prove a fair test of the measures taken to secure conformity with a settled programme of works.

9 In the above review the Financial Adviser has suggested that the present system of holding of reserves should be reconsidered. We went through this question in great detail with the Quartermaster-General and the Engineer-in-Chief. From the explanations given to us it was clear

that the only real reserve is that held by the Quartermaster-General himself and we agree with him that this reserve is necessary to meet certain unforeseen emergencies. The reserves held by subordinate officers are really not reserves at all but either (a) annual grants for minor works wrongly described in the accounts hitherto as "reserves" or (b) sums set apart at the beginning of each year by the controlling officers out of the lump allotments made to them for expenditure on works, maintenance, etc., during the year.

10 A case was brought to our notice in which the residential quarters of the Commandant of a certain school were provided with a hot water installation, the expenditure having been incurred before an estimate was framed and proper sanction obtained. The Auditor General has suggested in this connection that with a view to having some sort of check over works undertaken without sanctioned estimates intimation as to the intention of starting such a work should be communicated to the Controller as soon as possible. We also understand from the Auditor General that in the Railway Department all cases in which there is doubt as to the proper sanctioning authority and all important cases are referred for pre-audit or for advice to the Chief Accounts Officer who acts as a Financial Adviser. We suggest that the Military Accountant General should consider whether a similar procedure cannot be introduced on the Army side.

11 In paragraph 45 of the Report of the Director of Army Audit a case has been reported in which machinery valued at about Rs 30,000 which had actually been disposed of in 1908, continued to be shown in the accounts up to 1929-30. It is a very serious matter that machinery which did not actually exist continued to be shown on the books for over 25 years without the mistake being detected. We consider that it is necessary to devise some procedure to avoid such mistakes in future and we should like to have a report next year as to the steps taken in this direction.

A H LLOYD

J B TAYLOR

M A AZIM

S C MITRA

*The 10th August 1932*

## ANNEXURE I

Proceedings of the First meeting of the Military Accounts Committee  
held on Tuesday, the 25th July 1933, at 11 A M

## PRESENT

The Hon'ble Mr A H LLOYD, Finance Member, *Chairman*

The Hon'ble Mr J B TAYLOR, Financial Secretary

Mr S C MITRA, M L A

Mr MOHAMMAD ANWAR-UL-AZIM, M L A

Mr A C BADENOCH, Auditor General

Mr G R F TOTTENHAM, Army Secretary

Mr W R TENNANT, Financial Adviser, Military Finance

Mr J C BROMMAGE, Deputy Financial Adviser, Military Finance

Lt-Col R PRINCE, Military Accountant General

Mr L J PECK, Director of Army Audit

*Members*

*Were also present*

The Committee took up the examination of Appendix A to the Appropriation Accounts prepared by the Financial Adviser Military Finance. The Committee accepted the explanation given on the action taken in regard to the cases mentioned in the Appendix subject to the following remarks

2 ITEM 1 *Revision of Army Regulations* The Army Secretary explained that some of the more complicated portions of the different regulations had been revised but that this touched only the fringe of the subject. To achieve real and lasting simplification, the first step, in his opinion, was to prepare a set of basic rules applicable to the various classes of the personnel, this had been taken in hand and considerable progress had already been made. He added that the Army Department Secretariat was at present considerably under-staffed as a result of the retrenchments made last year, that they would have to entertain an extra officer for this purpose and that the work might take some time. The Auditor General agreed with the Army Secretary that this was the best way to proceed with the matter. He suggested that the Army Department, having got these basic rules, should resist the tendency to issue special orders to meet individual cases which had been the cause of the trouble hitherto. The Committee noted the explanation given by the Army Secretary and concurred with his views. They also desired that everything should be done to accelerate the work. The Committee also agreed with the Auditor General's suggestion.

3 ITEM 3 *Reduction of stocks* The Committee decided to deal with this item while going through the report in detail. In reply to Mr Mitra, it was explained that the increase in the stocks of medical store depots was

mainly due to smaller demands from the Local Governments as a result of the financial stringency

4 ITEM 4 *Exhibition of losses due to sale of surplus and obsolete stores.* It was explained to the Committee that the scope and method of exhibiting the figures of losses due to the sale of surplus and obsolete stores was under examination and that Sir Ernest Burdon had been requested to find out about the procedure in England. The Military Accountant General suggested that it was not correct to call this a 'loss', the Army had to maintain a certain amount of equipment and in the course of time some of it got obsolete and had to be replaced by more up-to-date and efficient equipment. In some cases this even led to economy, it should therefore be treated as part of the normal cost of the upkeep of the Army and not as a loss. The Auditor General explained that both from the theoretical and practical point of view, a loss like this was one which should be known and should be considered, as a certain amount of the taxpayer's money had been spent infructuously and that even if it was impossible to get accurate figures, an effort should be made to get approximate figures. The Committee agreed with the Auditor General on this point, and on the general question agreed to await the result of Sir Ernest Burdon's enquiries.

5 ITEM 6 *Long-term contracts.* The Committee was informed that the number of long-term contracts was very small and that they were entered into only in exceptional cases when it was to the specific advantage of Government. They were also informed that, as desired by the Committee last year, arrangements had been made to have all such contracts scrutinized by the Director of Army Audit and to include a clause providing for variations in prices. The Committee noted the position and decided to examine the Quartermaster General on this question.

6 ITEM 9 *Certificate in regard to existing stock of all authorized war reserves of stores.* The Quartermaster General and the Master General of Ordnance have furnished the necessary certificates in regard to the reserves held on 31st March 1933. (Copies appended)

7 ITEM 10 *Improving the present procedure for ascertaining the cost of drugs.* At the instance of the Director of Army Audit and the Military Accountant General, the Committee agreed that the point might be left over.

8 ITEM 11 *Cost of production of bread.* It was explained to the Committee that the overhead charges in India were larger than in England as there were only one or two large bakeries in England whereas in India there were a number of small bakeries scattered over the country. The Military Accountant General quoted figures to show that quality for quality, the cost of production in Army bakeries in Bombay, Calcutta, Delhi and Quetta was lower than the cost of production in private bakeries. The Committee agreed that a comparison with the cost of production in England was not of much value and were satisfied with the explanation of the Military Accountant General that the cost of production in important centres was lower than the cost of production in private bakeries.

9 ITEM 12 *Pio forma account of expenditure on Auxiliary and Territorial Forces.* The Army Secretary explained the difficulties involved in compiling figures of expenditure on the items covered by the Civil grant

because certain charges in a particular unit might be so debitable while others were not. He suggested that it would be much simpler if the complete cost of certain units were debited to the Civil grant and the cost of others to the Ordinary Army grant. The Committee recognised the difficulties pointed out and suggested that the question of the items to be debited to the Civil grant should be re-examined.

10 ITEM 13 *Excess in the grant under pay of Reservists* The Committee recognised that accurate estimating under this head was difficult as the training year cut across the financial year.

11 ITEM 14 *Expenditure on Stationery and Printing* The Committee agreed that the progress made had been real and satisfactory.

12 ITEM 16 *Reduction in working balances of stores* The Committee decided to examine the Director of Ordnance Factories and Manufacture on this subject.

13 ITEM 21 *Losses on sales of waste and scrap in Ordnance and clothing factories* The Committee were informed that the figures given were not altogether reliable. They suggested that further enquiries under this head might be combined with those referred to under item 4 and be dealt with together in next year's report.

14 The Committee proceeded to consider the comments in the Auditor General's letter.

15 *Paragraphs 3, 4 and 5 of the Auditor General's letter* The Committee agreed with the Auditor General that the difficulties of the year were such that it could not be said that there was deterioration either in budgeting or in financial control. As regards the Auditor General's remark that it was necessary to impress on local authorities their responsibilities in connection with the estimates that they prepared, the Committee was informed that necessary instructions had already been issued.

16 The Committee adjourned till 2-30 P M.

### *Indian Certificate*

(*Vide* paragraph 6 of Proceedings)

I certify that, on 31st March 1933, the War Reserves of stores authorised by the Government of India to be held at that date for the mobilization of the Army in India and detailed in the published War Equipment Tables, or provided for under specific sanctions, for the provision and maintenance of which I am responsible, were complete to the extent to which the quantities required have been calculated, with the exception of fluctuations normal to the maintenance of such reserves or to shortage and deficiencies due to sanctioned alterations in such reserves, the adjustment of which is in hand.

A E WARDROP,

*Lieut.-General,*

*Quartermaster General in India*

*The 31st March 1933*

*Indian Certificate*

(Vide paragraph 6 of Proceedings)

I certify that, on 31st March 1933, the War Reserves of stores authorised by the Government of India to be held at that date for the mobilization of the Army in India and detailed in the published War Equipment Tables, or provided for under specific sanctions, for the provision and manufacture of which I am responsible, were complete to the extent to which the quantities required have been calculated with the exception of fluctuations normal to the maintenance of such reserves, or to shortage and deficiencies due to sanctioned alterations in such reserves, the adjustment of which is in hand

B R KIRWAN

*Lieut-General,**Master General of the Ordnance in India.**The 25th April 1933*

**Proceedings of the Second meeting of the Military Accounts Committee  
held on Tuesday, the 25th July 1933, at 2-30 P M**

**PRESENT**The Hon'ble Mr A H LLOYD, Finance Member, *Chairman.*

The Hon'ble Mr J B TAYLOR, Financial Secretary

Mr S C MITRA, M L A

Mr MOHAMMAD ANWAR-UL-AZIM, M L A

Mr A C BADENOCH, Auditor General

Mr G R F TOTTENHAM, Army Secretary

Mr W R TENNANT, Financial Adviser, Military Finance

Mr J C BROMMAGE, Deputy Financial Adviser, Military Finance

Lt-Col R PRINCE, Military Accountant General

Mr L J PECK, Director of Army Audit

*Members**Were also present*

17 Paragraph 6 of the Auditor General's letter *Audit of the special programme measures* The Director of Army Audit explained that the amount accepted in audit up to date was 6,68,31,000 including Rs 1,34,000 for which full details were not available, but which was accepted by audit as having been legitimately spent for this purpose The difference between this figure and that given in Appendix B of the Appropriation Accounts was Rs 3,57,000 and the Financial Adviser had agreed to withdraw this amount The Committee noted with satisfaction that the matter had thus

been brought up to date. The Committee was furnished a certificate by the Chief of the General Staff stating that the expenditure on programme measures up to the 31st March 1933 was estimated at Rs 728 30 lakhs, that funds to the extent of Rs 39 34 lakhs had been provided in the budget estimates for 1933-34 and that all outstanding measures could be completed by a further expenditure of Rs 226 76 lakhs.

18 *Paragraphs 7-9 of the Auditor General's letter Financial irregularities* The Committee went through the cases of financial irregularities mentioned in the Auditor General's letter. As regards the Auditor General's recommendations, that, to prevent losses due to unskilful and careless drafting of orders, arrangements should be made for the more careful scrutiny of the drafts of proposed rules by the Finance Branch in conjunction with the office of the Military Accountant General and for the immediate incorporation in the relevant regulations of new orders affecting them, the Military Accountant General explained that suitable arrangements had already been made both at the drafting stage in his office and also when orders were received in Controllers' Offices, to have doubts and ambiguities removed or settled. The incorporation of orders in relevant regulations, whenever necessary, was now the business of a special section in the Army Department, in which such work was centralised and co-ordinated.

19 *Paragraph 23 of the Report of the Director of Army Audit* The Military Accountant General explained that a special procedure had been introduced last year to ensure that claims against other Governments were not overlooked. The Auditor General stated that the revised procedure would be watched by audit to see whether it was effective. In view of the fact that some of the claims against other Governments, etc., had been overlooked for very long periods the Committee desired that the Financial Adviser, Military Finance, should consider whether some arrangements could not be made to review periodically, as far as practicable, all agreements with outside parties which entitled them to concessions.

20 *Paragraph 33 of the Report of the Director of Army Audit* In reply to a question as to why the amount of the loss was not recovered from the officer whose negligence contributed to the loss, the Army Secretary explained that the Commanding Officer's ultimate responsibility in the matter of losses was recognised and that in this particular case he had been removed from his appointment.

21 *Paragraphs 35 and 36 of the Report of the Director of Army Audit* The Army Secretary explained that as a result of the investigations by a special committee of experts it had been decided to issue a pamphlet giving clear instructions regarding the maintenance of the accounts of the Auxiliary and Territorial Forces. The Committee agreed with the Auditor General that the best method of securing the proper maintenance of Auxiliary and Territorial Force accounts was that of frequent and careful inspection. The Military Accountant-General explained that arrangements had been made for quarterly local inspections of these accounts.

22 *Paragraph 63 of the Report of the Director of Army Audit* The Financial Adviser, Military Finance, explained the defects in the system which facilitated the fraud and the steps taken to remedy them.

23 *Paragraph 52 of the Report of the Director of Army Audit*—The Army Secretary explained that the Military Engineer Services supplied

water to individual civil residents in many Cantonments, whereas under the Cantonments Act the responsibility for making recoveries in respect of the water supplied was vested in the Cantonment authority. Though the Military Engineer Services might know the total amount of water supplied, the Cantonments authorities often had no means of distributing the cost and collecting it from individuals as the supply was not metered. To get over this difficulty, which had caused considerable loss to Government in the past, it had been decided that in future the Military Engineer Services would make a metered supply of water in bulk by agreement to the Cantonment authorities, who would then pay the Military Engineer Services for the total amount supplied and make their own arrangements for recovery of the cost from individuals.

24 The Committee then adjourned till 2-30 P M, on Wednesday, the 26th July 1933

**Proceedings of the Third meeting of the Military Accounts Committee,  
held on Wednesday, the 26th July 1933, at 2-30 P M**

**PRESENT.**

The Honourable Mr A H LLOYD, Finance Member, *Chairman*

The Honourable Mr J B. TAYLOR, Financial Secretary

Mr S C MITRA M L A

Mr MOHAMMAD ANWAR-UL-AZIM, M L A

Mr A C BADENOCH, Auditor General

Mr G R F TOTTENHAM Army Secretary

Mr W R TENNANT, Financial Adviser, Military  
Finance

Mr J C BROMMAGE, Deputy Financial Adviser, Military  
Finance

Lieut-Colonel R PRINCE, Military Accountant General

Mr L J PECK, Director of Army Audit

} *Members*

} *Were also  
present*

25 *Paragraph 53 of the Report of the Director of Army Audit* The Auditor General remarked that it was absolutely necessary to have some sort of check over works especially those undertaken without sanctioned estimates. He quoted the instance of Railway Administrations where all important cases and not only cases in which there was some doubt as to the proper sanctioning authority were referred for pre-audit or for advice to the Chief Accounts Officer who acted as a Financial Adviser. He added that even if it was necessary to undertake a work before the estimate was sanctioned by the proper authority, intimation as to the intention of starting such a work should be communicated to the Controller. The Committee agreed with the Auditor General and suggested that the Military Accountant General should consider whether a procedure similar to that in force on the Railways could not be introduced on the Army side.

26 *Paragraph 45 of the Report of the Director of Army Audit.* The Committee felt that it was a very serious matter that machinery which did not actually exist should continue to be shown on the books for 25 years without the mistake being detected. The Military Accountant General suggested that



in order to avoid such mistakes in future there might be a special annual perambulation as in England. The Auditor General said that it was unnecessary to have such an annual perambulation as it would lead to extra staff and extra expenditure. He added that there was in existence a procedure in some of the Departments for example, he believed, in the Posts and Telegraphs Department, under which the administrative officer had to give an annual certificate that the stores, apparatus and plant in his charge were in proper condition. The Committee felt that it was necessary to devise some procedure without entertaining extra staff to avoid such mistakes in future and desired to know next year what steps had been taken.

27 *Paragraph 19 of the Report of the Director of Army Audit* The Committee decided to examine the Director of Ordnance Factories and Manufacture on this point.

28 *Paragraph 10 of the Auditor General's letter Review of Military Engineer Services Expenditure*—The Committee agreed with the Auditor General that the review which was prepared at their special request was lucid and informative and hoped that its value would be enhanced when the Financial Adviser was able to incorporate his projected improvements. They also agreed that the year 1931-32 would not prove a fair test of the measures taken to secure conformity with a settled programme of works.

29 *Paragraph 67 of the Report of the Director of Army Audit* The Army Secretary read out the instructions recently issued by the Engineer-in-Chief to the effect that

- (1) if time permitted, a comparative statement of the tenders should be submitted to the Controller of Military Accounts for concurrence, where it was proposed to accept a tender other than the lowest, together with reasons in support of the proposed action and a clear statement of the financial effect,
- (2) if there was not sufficient time, the administrative officer might act on his own responsibility but should at once submit a report on the case to the Controller of Military Accounts and obtain his concurrence and
- (3) doubtful cases should always be referred to the Controller except when there was great urgency.

The Committee suggested that the instructions issued did not make it sufficiently clear that reasons for accepting a tender other than the lowest should always be recorded in writing immediately, as was done in the Public Works Department. The Army Secretary agreed that supplementary instructions might be issued to that effect.

30 *Paragraph 235 (b) of the Appropriation Accounts* The Committee desired to discuss this question with the Quartermaster General.

31 *Paragraph 245 of the Appropriation Accounts* The Auditor General pointed out that the lump figure for stock given on page 99 of the Accounts did not serve any useful purpose, as the Director of Army Audit was not in a position to see how much of it was effective and how much non-effective and was therefore not in a position to carry out satisfactorily the responsibility imposed on him in item 3 of Appendix A. He suggested that a

classification of the stock such as is furnished by the Railways and the Public Works Department would be more useful. The Committee agreed that this was *prima facie* desirable, if practicable.

The Committee accepted the Auditor General's suggestion that the figures for "overpayments to contractors" might be examined annually, as they would afford some evidence of the executive officers' control and the regularity of their expenditure.

32 *Paragraph 11 of the Auditor General's letter and Appendix E of the Appropriation Accounts.* The Committee agreed with the Auditor General that, as far as it was possible to judge from the figures available, the improvement in the stock position had, on the whole, been achieved as desired by the previous Committee.

33 *Appendix G of the Appropriation Accounts.* The Committee desired to examine the Director of Ordnance Factories and Manufacture regarding the large increases in stock in the Ammunition Factory, Kukee, and the Gun and Shell Factory, Cossipore.

34 *Paragraph 12 of the Auditor General's letter.* The Committee went through Appendix I to the Supplementary Report of the Director of Army Audit and had no comments to offer.

35 The Committee then adjourned till 11 A.M. on Tuesday, the 1st August.

# Proceedings of the Fourth meeting of the Military Accounts Committee held on Tuesday, the 1st August 1933, at 11 A.M.

## PRESENT

The Honourable Mr A H LLOYD, Finance Member, *Chairman*

The Honourable Mr J B TAYLOR, Financial Secretary

Mr S C MITRA, M L A

Mr MUHAMMAD ANWAR-UL-AZIM, M L A

Mr A C BADENOCH, Auditor General

Mr G R F TOTTENHAM, Army Secretary

Mr W R TENNANT, Financial Adviser, Military Finance

Mr J C BROMMAGE, Deputy Financial Adviser, Military Finance

Lieut-Colonel R PRINCE, Military Accountant General

Mr L J PECK, Director of Army Audit

Lieut-General Sir ALEXANDER WARDROP, Quarter-master-General in India

Major-General G H ADDISON, Engineer-in-Chief

Brigadier G A HARE, Director of Ordnance Factories and Manufacture

*Members*

*Were also present.*

*Witnesses.*

36 The Quartermaster-General and the Engineer-in-Chief were first examined in regard to the question of long term contracts (item 6 of Appendix A to the Appropriation Accounts) The Quartermaster-General explained that some long term contracts were inevitable if they were to get the supplies they wanted, as otherwise the contractors would never invest the capital necessary for the carrying out of the contract He stated that at present in practically every long-term contract a clause was inserted under which the rates entered in the contract could be subjected to review periodically He quoted the instance of a contract entered into for the supply of vegetables which was for a period of five years but the rates in which would be subject to review after six months Two other contracts, viz, for the supply of grain and ghee contained clauses empowering the Army authorities to buy local stuff if it was cheaper than the rates mentioned in the contract All contracts were entered into only after inviting open tenders except in very special cases, such as the Bagai contract, which was for running two sections of Mechanical Transport involving about 60 wagons to carry supplies in Waziristan This contract provided for an alteration in the rates for petrol as the price rose or fell

37 *System of holding Military Engineer Services reserves paragraph 235 (b) of the Appropriation Accounts* The Quartermaster-General explained that there were two kinds of reserves, viz (1) a big reserve held by the Quartermaster-General himself and (2) a number of smaller reserves which were the ones referred to in the above paragraph of the Appropriation Accounts His own big reserve was intended to meet big unforeseen emergencies and was distributed only under the orders of His Excellency the Commander-in-Chief He said that this reserve was absolutely necessary and gave particulars of the items on which it was spent Both he and the Engineer-in-Chief explained how the other smaller reserves referred to in this paragraph were created It was clear from this explanation that some of them were really not reserves but sums set apart by the controlling officers out of the lump allotments made to them for works, maintenance, etc They were of opinion that these sums held in reserve served a very useful purpose and they had no reason to believe that they were not being utilised properly

38 *Paragraph 67 of the Report of the Director of Army Audit* The Engineer-in-Chief agreed that full reasons for accepting tenders other than the lowest should always be recorded immediately He informed the chairman later that it was unnecessary to issue special instructions on this point, as under the Revised (1933) edition of the Regulations for the Military Engineer Services the officer who receives the tenders is bound to record his reasons in full in every case where he recommends acceptance of other than the lowest tender

39 *Item 16 of Appendix A to the Appropriation Accounts* The Director of Ordnance Factories and Manufacture explained that he had gone into this question of working balances very carefully and that greater control was being exercised now as each item was being dealt with individually by his office and he hoped that this system would reduce such balances to the minimum actually required

As regards the larger balances of stock held at Kukee and Cossipore, it was explained that the money value of the stocks held varied with the cost of manufacture The Auditor General remarked that while prices in the case of ordinary commercial concerns were going down, the reverse

was the process in the Army, as their overhead charges remained the same, while the output was considerably lower. The Director of Ordnance Factories and Manufacture assured the Committee that he was doing his best to reduce the stock.

40. The witnesses withdrew at this stage.

Mr S C Mitra then raised the question whether the original estimate of ten crores for programme measures should not be reduced in view of the fall in prices. The Committee agreed that the Army Department should be requested to examine this point.

## V. PROCEEDINGS OF THE COMMITTEE.

Proceedings of the First meeting of the Public Accounts Committee held on Thursday, the 3rd August 1933, at 11 A M

### PRESENT .

The Honourable Mr A H LLOYD, Finance Member, *Chairman*

Rao Bahadur M C RAJAH.

Kunwer Hajee ISMAHIL ALIKHAN

Mr S C MISHRA.

Mr MUHAMMAD ANWAR-UL-AZIM

Mr J RAMSAY SCOTT.

Dr R D DATAL.

Mr A C BADENOCH, Auditor General

Mr J F MITCHELL, Accountant General,  
Central Revenues

*Members*

*Were also  
present*

The Honourable Mr J B TAYLOR, Financial Secretary, *witness*

Before proceeding with the business the chairman gave his reasons for proposing that the examination of the Railway Appropriation Accounts should be taken up immediately after the completion of the examination of the Appropriation Accounts of the Civil and Posts and Telegraphs Departments. After obtaining the views of all the members and of the Auditor General, the chairman decided to leave the matter over till the next day.

2 The Committee then took up the consideration of the items shown against the Finance Department in the Quarterly List of Outstandings (Appendix I). They accepted the action taken and the explanation given in regard to the items subject to the following remarks.

*Item 4 Revision of leave rules* The Committee was informed that a draft of the revised leave rules applicable to the services under the control of the Governor General in Council was ready and that orders would issue before long. The Committee expressed the hope that the revised rules would issue during the current year.

*Item 5 Recovery of public claims from pay and pensions* The Committee after some discussion accepted the Government of India's conclusion that it would be impracticable to make any such specific stipulation and that the existing powers of the Government of India for the recovery of losses should be adequate for all practical purposes if properly exercised.

*Item 6. Items awaiting constitutional changes* The Committee desired that this item should continue to appear in the Quarterly List till the cases included in the Special Appendix referred to in this item were properly disposed of.

*Item 7 Examination of financial prospects of capital projects* The Committee was informed that the question was not of immediate practical importance in view of the embargo on borrowing for new projects as a result of the financial stringency. They were assured that all proposals for loans were subjected to a severe scrutiny by the Finance Department.

*Item 11 Stores balances* The Committee decided to deal with the memoranda furnished to them on this subject when dealing with the

Appropriation Accounts of the particular Departments With reference to the question whether this item should continue to be shown in the Quarterly List the Auditor General explained that the question of stocks was one of the important items to which the Accountants-General had been instructed to devote special attention in their Appropriation Accounts In reply to a question from one of the members whether actual verification of stock was done by the auditors, the Auditor General explained that Audit satisfied themselves that verification of stock had been done, but did not ordinarily conduct a test check, though it had the power to do so if it thought that the verification had not been properly done

*Item 12 Unanticipated credits* The Auditor General explained that the fact of anticipation or non-anticipation of a credit was not really a valid criterion for classification and that he could not classify an item as a receipt or as a deduction from expenditure merely according to the accuracy of a previous forecast Detailed rules governing the classification of credits like these had been drawn up by Sir Frederic Gamblett and this criterion did not find a place in those rules The Auditor General accepted the Committee's recommendation that unanticipated credits should not provide excess supplies for the spending Departments without the fact being brought to the specific notice of the Assembly In order to give effect to this recommendation, he, in consultation with the Financial Commissioner, Railways, had suggested a procedure for bringing such items to the notice of the Assembly either through the Budget memorandum or the review of Appropriation Accounts The Committee thought that the suggestion to bring such items to the notice of the Assembly in a statement appended to the Budget memorandum or through the Appropriation Accounts would not be enough to give the Assembly proper control over the matter The question should be considered whether such items should not be brought before the Standing Finance Committee just as all items for supplementary grants

3 The Committee then took up for consideration the portions in the Auditor General's letter of comments relating to the Finance Department

*Paragraph 8 of the Auditor General's letter* The Committee agreed with the Auditor General that the conditions of the year 1931-32 were such that no safe conclusion could be reached regarding the standard of estimating and that there was no marked deterioration in control over expenditure

*Paragraph 10 of Auditor General's letter* After some discussion the Committee agreed that the present method of estimating for leave salaries on the basis of previous actuals gave sufficiently accurate results

*Paragraph 11 of the Auditor General's letter* The Committee went through the general review of the financial results of all the Central Government commercial concerns given in paragraphs 22—29 of the Commercial Appendix and expressed satisfaction with the position as reported by the Auditor General, viz, that the results of the year were not any worse than the prevailing conditions would give reason to expect The Committee requested the Auditor General to consider the best method of dealing with the point that in the commercial accounts of the Northern India Salt Revenue Department royalties on salt issued in any one year appear in the accounts of the following year and thus vitiate the cost of production in each particular year as deduced from those accounts They also requested the Auditor General to consider the comparative merits of the calculation of the contribution to the Depreciation Fund on a straight line method and on the sinking fund method as regards its effect on the calculation of the cost of production of salt

*Paragraph 12 of the Auditor General's letter* The Financial Secretary explained that the stocks in the Currency Note Press had been considerably reduced in 1932-33 and that as a matter of fact they were much lower than normal. As regards the stocks in the Bombay Mint, it was explained that the balance was high as it included a large quantity of obsolete stores purchased in bulk during the War which owing to the temporary cessation of coinage in this Mint were not being consumed. The stores are essentially mint stores and having no value in the local market could not be sold without heavy loss.

4 As regards the Accountant General's comment in paragraph 63 of the Commercial Appendix that the coinage of rupees for the Udaipur Durbar led to a loss as full overhead charges were not recovered, the Financial Secretary explained that the Government of India had to maintain the mints even when there was a temporary drop in the demand for their own coin and that it was not reasonable to charge the full cost of maintaining the mint to the Durbar during the period when their coinage was being executed by the mint. The prime cost of manufacture of the Udaipur coins amounted only to Rs 9.93 per thousand pieces against which the Durbar was charged Rs 15.35 thus including a certain amount on account of overhead charges. The coinage which the Government of India undertook for others at a time when their mints were not busy with their own coinage actually reduced the loss of the Government of India.

5 The Committee adjourned till 2-30 P.M.

**Proceedings of the Second meeting of the Public Accounts Committee  
held on Thursday, the 3rd August 1933, at 2-30 P.M.**

**PRESENT**

The Hon'ble Mr A. H. LLOYD, Finance Member, *Chairman*

Rao Bahadur M. C. RAJAH

Kunwei Hajeer ISMAIL ALIKHAN

Mr S. C. MITRA

Mr MUHAMMAD ANWAR-UL-AZIM.

Mr J. RAMSAY SCOTT

Dr R. D. DALAL

Mr A. C. BADENOCH, Auditor General

Mr J. F. MITCHELL, Accountant General, Central Revenues

Mr M. K. SEN GUPTA, Audit Officer, Indian Stores Department

The Hon'ble Mr J. B. TAYLOR, Financial Secretary

Mr G. S. HARDY, Member, Central Board of Revenue

Khan Bahadur J. B. VACHHA, Member, Central Board of Revenue

*Members*

*Were also present*

*Witnesses*

6 The Committee continued the examination of the Appropriation Accounts relating to the Finance Department.

7 *Paragraph 13 of the Auditor General's letter* As regards the Accountant General's remark that it was a common feature of administration that when increases of establishment were contemplated insufficient allowance was frequently made for the inevitable delays which were apt to occur, the Financial Secretary explained that the Finance Department always scrutinised the estimates with care and that the circumstances in which provision had to be made for the particular item in respect of which the Accountant General had made this remark were quite exceptional. As a result of the passing of the Supplementary Finance Bill in September 1931, provision had to be made for a large staff for work in connection with the lowering of the limit of taxable income before working out full details.

8 *Paragraph 14 of the Auditor General's letter* The Financial Secretary explained that estimates for the profit or loss on circulation of bronze and nickel coins were furnished by the Controller of Currency in January on the basis of actuals up to the end of December. During this particular year there was a large return of these coins during the first nine months of the year and the estimates provided for a moderate absorption in the last quarter, but as a result of India going off the gold standard the actual absorption greatly exceeded anticipations.

9 *Paragraph 15 of the Auditor General's letter* *Expenditure on retrenched personnel* The Financial Secretary explained that it was extraordinarily difficult to frame even the vaguest estimate of the expenditure likely to be incurred during the year which was clear from the fact that a sum of Rs 20 lakhs was provided in the revised estimate on this account, while the actual expenditure amounted only to a little over 4 lakhs. The terms given to retrenched personnel had been brought specifically to the notice of the Assembly who therefore knew that expenditure on this account would be incurred. The Committee realised the difficulties of preparing an estimate of the expenditure but considered that from a constitutional point of view it was not correct to incur expenditure without taking a specific vote from the Assembly, even though the Assembly might know that expenditure was being incurred.

10 *Paragraph 16 of the Auditor General's letter* *Loans and advances bearing interest* *loan to the Bahawalpur Durbar for the Sutlej Valley Project* As regards the two specific points raised by the Accountant General, the Committee was informed that the capital expenditure on railways was only Rs 12,000, the balance being expenditure on maintenance, and that the sanction of the Secretary of State had been applied for, for the excess over the amount of the loan previously sanctioned by him. The Committee was also informed that a detailed investigation was now going on as to the financial prospects of the project. The Auditor General suggested that if as a result of that investigation it was considered necessary to write off any portion of the capital, it should be done as soon as possible so that the amount to be written off might not be inflated by the addition of arrears of interest. The Financial Secretary entirely agreed with the Auditor General but pointed out that it should be borne in mind that the amount to be written off might diminish considerably or even disappear altogether if the rates of interest went down and prices of produce rose. The Committee suggested that the point mentioned by the Financial Secretary should be borne in mind when considering the question of writing off any part of the capital.



11 *Paragraph 17 of the Auditor General's letter* As regards embezzlements in Burma treasuries, the Auditor General informed the Committee that he had heard from the Accountant General, Burma, that the Burma Government had introduced effective measures so far as treasuries were concerned and that the question of improving the work of sub-treasuries was engaging the attention of the local Government and the Accountant General

12 *Paragraph 18 of the Auditor General's letter Salt Stores Accounts* As regards the accumulation of stock in Burma, the Committee was informed that in 1930 there was a heavy cyclone in Burma which caused great damage to the stocks held there and manufacture was consequently speeded up to meet an anticipated shortage. In March 1931, after the Delhi Pact, the salt concessions came into operation and there was an unexpected decrease in the demand. It has since been decided to close this factory

13 The Committee was informed that the writing off of over 2 lakhs of maunds of salt at Kuda did not involve any financial loss to Government, as under the agreement the Government of India had to take 5 lakhs of maunds of salt every year and at the time of the receipt of the salt the quantity was roughly estimated by measurement and only an advance payment made. The final payment was made in accordance with the result of actual weighing after the salt was issued

As regards the failure to verify stocks properly in the salt works in Bombay Presidency, the Committee was informed that the conditions in Bombay were entirely different from those in Madras. In Madras, salt was stored in small heaps which could be measured easily while in Khargodha the salt was stored in one large heap. The actual weight of the salt put into the heap was known and the loss was calculated only after the stock was exhausted. The possibility of having an approximate stock-taking by geometrical methods was carefully examined some time back but it was found impracticable. In Sind there are no Government salt works now

14 In reply to a question by one of the members as to the progress made in developing the Khewra mines with a view to put the Khewra salt in the Bengal market, the Committee was informed that the Government of India had expected to get crushed salt made on a commercial scale out of Khewra for the Bengal market about May last, but when the machinery was installed the crusher exhibited certain defects and they were still examining the question how to get over the difficulties. Mr Pitt, the Engineer in charge who is now on short leave in England, is going into this matter with the manufacturers

15 *Paragraph 19 of the Auditor General's letter Important comments of the Accountant General, Central Revenues, on the grant under refunds*—The Committee hoped that the revised procedure introduced with effect from 1st April 1933 would prevent such irregularities

16 The Committee then adjourned till 11-15 A.M on Friday, the 4th August 1933

Proceedings of the Third meeting of the Public Accounts Committee  
held on Friday, the 4th August 1933, at 11-30 A.M.

PRESENT

The Hon'ble Mr A H LLOYD, Finance Member, *Chairman*.

Rao Bahadur M C RAJA,	}	<i>Members.</i>
Kunwer Hajeer ISMAEL ALIKHAN		
Mr S C MITRA		
Mr MUHAMMAD ANWAR-UL-AZIM		
Mr J RAMSAY SCOTT.		
Dr R D DATTA.		

Mr A C BADENOCH, Auditor General	}	<i>Were also present</i>
Mr J F MITCHELL, Accountant General, Central Revenues		
The Hon'ble Mr J B TAYLOR, Financial Secretary		

Mr G S BAJPAI, Secretary, Department of Education, Health and Lands	}	<i>Witnesses</i>
Mr RAM CHANDRA, Joint Secretary, Department of Education, Health and Lands		

17 The Auditor General explained that he had further considered the question discussed by the Committee the previous day, *viz*, the best method of bringing unanticipated credits to the notice of the Assembly. He explained that the legal position was that an unanticipated credit which was taken in reduction of expenditure according to the rules of classification could be taken in aid of expenditure and that the Government of India could not ask the Assembly to vote a token grant for what was already voted.

18 The Committee then took up the consideration of the Appropriation Accounts and connected documents relating to the Department of Education, Health and Lands.

19 *Item 1 of the Quarterly Statement—Surplus stocks of Quinine.*  
The Committee was informed that the quantity of manufactured quinine now held by the Government of India was about 280,000 pounds, of which it was proposed to keep 150,000 pounds as reserve in accordance with the advice given by experts and to dispose of the balance of 130,000 pounds. Instructions had already been issued to the Director, Botanical Survey.

to make arrangements for the sale by the method of limited tenders. The Committee was not quite satisfied whether, in view of the impending constitutional changes and the introduction of Provincial Autonomy, the Government of India should at its own expense maintain a large stock of quinine for supply to the Provincial Governments. They therefore suggested that the amount of the reserve stock to be maintained by the Government of India should be reconsidered, if the arrangements now made for the sale of the surplus were successful. With a view to curtail Government of India's annual production and manufacture of drug, extension of cinchona cultivation in Burma had been stopped. Measures for reduction in the Burma production were proceeding as quickly as consideration for capital value, represented by the area developed and about to yield its quota of bark, would allow.

20 *Item 2 (a) of the Quarterly Statement Royalty on Andamans timber.* The Secretary, Education, Health and Lands Department, informed the Committee that the Government had come to the conclusion that there were no data to enable them to fix a rate of royalty and that the question had therefore been dropped. The Auditor General agreed that there was no point in including royalty as the conditions in the Andamans were different from those elsewhere and there was no competition with private enterprise to provide a standard of comparison. The Committee after some discussion accepted the Auditor General's views.

21 *Item 2 (b) of the Quarterly Statement Shipping freight on Andamans timber.* The Committee was informed that Mr Morgan assumed that the Forest Department was paying a lower rate of freight than they would have had to pay if ordinary commercial ships were employed for the carriage of timber, but the probable fact was that private freight could be obtained at a lower rate than the Forest Department was now paying. The result of employing private shipping would only mean a greater loss to the Government of India as a whole, as in any case they had to run a Government steamer service. The Committee accepted this explanation.

22 *Item 3 of the Quarterly Statement Wellington Farm.* It was explained that, as a result of the economies introduced in the working of the Wellington Farm with effect from the 1st April 1932, there was a great decrease in the cost of production. The cost of production now was slightly less than the selling price and the Farm had made a profit of Rs 6,629 in the year 1932-33. The Committee noted with satisfaction that the institute was now able to pay its way.

23 *Paragraph 28 of the Auditor General's letter and paragraphs 187 and 189 of the Commercial Appendix.* The Committee was informed that arrangements had been made for exhibiting the excesses and deficits found at the time of stock-taking in a separate abstract and also for a test check by the Officer in Charge. The Committee was also informed that free issues had been reduced from 36,000 to 14,000 and that the latter figure would be reduced still further as it included supplies to the High Commissioner for sale in England which were wrongly included under free issues.

24 The Committee then adjourned till 2 P.M.

Proceedings of the Fourth meeting of the Public Accounts Committee  
held on Friday, the 4th August 1933, at 2 P M.

## PRESENT

The Hon'ble Mr A H LLOYD, Finance Member, *Chairman*.

Rao Bahadur M C RAJAH

Kunwer Hajeer ISMAEL ALIKHAN

Mr S C MITRA

Mr MUHAMMAD ANWAR-UL-AZIM

Mr J RAMSAY SCOTT.

Dr R D DALAL

Mr A C BADENOCH Auditor General

Mr J F MITCHELL, Accountant General,  
Central Revenues

Mr G S BAJPAI, Secretary, Department  
of Education, Health and Lands

Mr RAM CHANDRA, Joint Secretary,  
Department of Education, Health  
and Lands

The Hon'ble Mr J A SHILLIDY, Secre-  
tary, Department of Industries  
and Labour

Mr A G CLOW, Joint Secretary,  
Department of Industries and  
Labour

Mr T C S JAYARATNAM, Deputy Secre-  
tary, Department of Industries  
and Labour

Mr F T JONES, Chief Engineer,  
Central Public Works Department,  
Delhi

Mr HAFAZAT HUSSAIN, Under Secretary,  
Department of Industries and  
Labour

Members.

Were also present

Witnesses

25 The Committee agreed to discuss the Railway Appropriation Accounts immediately after the examination of the Civil and the Posts and Telegraphs Appropriation Accounts was completed on the understanding that there would be a further meeting later in the year to consider the coal purchase policy and any other outstanding item

26 The Committee then continued the examination of the Appropriation Accounts relating to the Department of Education, Health and Lands

27 Paragraph 30 of the Auditor General's letter and the Important Comment on pages 119 and 120 of the Appropriation Accounts The Secretary, Education, Health and Lands Department, informed the Committee that they had already taken steps to bind the Director of Archaeology and other Heads of Departments to observe strictly the principles regarding agreements referred to by the Accountant General, Central

**Revenues** As regards the particular case, the Committee was informed that out of 140 plates ordered, 89 had actually been delivered and that 36 were expected shortly. As regards the balance of 15, he was not in a position to say when they would be delivered. He however hoped that the work would be completed by the end of the current year. The Committee desired to have a report next year regarding the position.

28 *Paragraph 31 of the Auditor General's letter- Commercial Accounts of the Research Institute, Muktesar* The Committee was informed that the selling prices of the serum produced by the Institute had been reduced and that the present prices allowed for only a very small margin over the cost price as shown below

	Rate per dose of serum		
	Anti-rinderpest	Hæmorrhagic septicæmia	Blackquarter aggrassin
Cost of production for the year ended 31st March 1932	.. Re 0-1-4 47	Re 0-3-7 35	Re. 0-3-3-74
Selling price	Re 0-1-6	Re 0 4-0	Re 0-3-6

29 *Commercial Accounts of the Forest Department.* The Committee was informed that the Department was now losing steadily on scantlings sold in Calcutta and the question was under consideration whether the production of such scantlings should not be discontinued.

30 *Appendix XV* It was explained to the Committee that the commercial activities of the Imperial Institute of Animal Husbandry and Dairying, Bangalore, the Imperial Cattle Breeding Farm, Karnal, cultivation and cattle breeding experiments in the agricultural section of the Imperial Institute of Agricultural Research, Pusa, had been considerably curtailed and their activities were now confined to education and research. At Karnal it was only the cultivation accounts that were commercialised, but now practically all the lands were leased out to tenants. At Pusa commercial accounts were maintained only for the agricultural section and the Government of India had laid down that the maintenance of commercial accounts should not be regarded in any measure as implying that education and research work should be sacrificed in order to run it as a profit-making concern. The Kitchen Garden, Imperial Institute of Agricultural Research at Pusa, was a very small affair and it was unnecessary to maintain commercial accounts for it. The Auditor General stated that he was prepared to agree to the proposal that commercial accounts should be abolished in all the concerns mentioned in the Appendix with the exception of Wellington, partly because this would lead to some economy but mainly because he was convinced that the research and education functions of these concerns outweighed so much the commercial side that commercial accounts could not actually be of very much service. Sufficient control could be maintained over the expenditure through the scrutiny of the budget estimates, the control of audit and local inspections. The Committee after some discussion agreed to the proposal on the understanding that if in any of these concerns commercial activities were revived commercial accounts should be reintroduced.

(Mr Bajpai and Mr Ram Chandra then withdrew and Mr Jones and Mr Jayaratnam entered)

The Committee then took up the examination of the Appropriation Accounts relating to the Industries and Labour Department

31 *Items 16 and 17 of the Quarterly Statement Budgeting and Control of Public Works Expenditure and Utilization of Reserve in Civil Works Budget* The Committee was informed that detailed rules regarding Public Works budget procedure, which incorporated the recommendations of the Committee, had been framed

32 *Paragraph 24 of the Auditor General's letter.* As regards item 3 on page 191 of the Appropriation Accounts, the Committee was informed that when the budget was framed in October it was not anticipated that the work would really be finished before the close of the year. A provision of Rs 10,000, being the amount anticipated to be spent in the following year, was included in the estimates. But later on it was found possible to complete the work before the close of the year by re-appropriating savings from other heads. The provision made in the budget for the following year therefore lapsed

33 The saving of about Rs 1,10,000 in the provision of Rs 1,60,000 for the Forest Research Institute buildings was explained to be due entirely to the economy campaign and the consequent abandonment of certain works

34 *Review of the financial administration of residential buildings in New Delhi* The Committee were very much interested in the review prepared by the Accountant General, Central Revenues, and desired that the Accountant General should prepare such a review every three years but statements similar to those on pages 201 and 203 of the Appropriation Accounts should be furnished every year. For this purpose it was not necessary to calculate the capital cost every year but it would suffice if the capital cost as calculated in the last triennial review was given. The Chief Engineer remarked that the review related to the year 1929-30 and that the position had improved since then, as the Government of India were now staying in Delhi for six months and as maintenance charges had been reduced considerably as a result of the fall in prices

(Mr Jayaratnam and Mr Jones then withdrew and Mr Clow entered)

35 *Items 15 and 18 of the Quarterly Statement Printing of publications and use of Assembly Debates covers for Government advertisements and adequacy of existing allotments for stationery* The Committee after some discussion accepted the explanation given in Appendices X, XIII and XIV

36 *Paragraph 26 of the Auditor General's letter.* The Auditor General explained to the Committee why the form of trading accounts of Government of India Presses previously prepared was unsatisfactory and stated that a financial review by the Controller of Printing and Stationery, which it was proposed to include from next year, would give all the information that the Committee would require

37 *Paragraph 479 of the Commercial Appendix* The Committee discussed with the witness the reasons for the large outstanding balance (Rs 60,636) relating to 1928-29 and previous years outstanding under "sundry debtors" and requested the Department to furnish a memorandum to the Committee on the subject

(Mr Clow then withdrew and Mr Hafazat Hussain entered)

38 The Committee was informed that the method of charging the Meteorological Department for the cost of telegrams sent by them had been changed with effect from the 1st April 1933, and consequently variations between the estimates and actual expenditure which used to occur till now were not likely to occur in future

(Mr Hafazat Hussain then withdrew and Mr Shilldy entered)

39 The Committee noted with satisfaction that the Indian State Broadcasting Service had made a profit in the year 1932-33. Mr Shilldy informed the Committee that he hoped to show better results next year if the Assembly passed the Bill which they were introducing to put a stop to piracy.

40 The Committee then adjourned till 11 o'clock on Monday, the 7th August 1933

Proceedings of the Fifth meeting of the Public Accounts Committee  
held on Monday, the 7th August 1933, at 11 A M

PRESENT

The Hon'ble Mr A H LLOYD, Finance Member, *Chairman*

Rao Bahadur M C RAJAH

Mr S C MIRA.

Mr K P THIAMPAN

Mr J RAMSAY SCOTT

Dr R D DALAL

Mr A C BADENOCH, Auditor General

Mr J F MITCHELL, Accountant General  
Central Revenues

The Hon'ble Mr T A STEWART, Secre-  
tary, Commerce Department

Mr A RAISMAN, Joint Secretary, Com-  
merce Department

Mr T SLOAN, Joint Secretary, Home  
Department

Mr C M TRIVEDI, Deputy Secretary  
Home Department.

Lala BISHEN SWARUP (from Delhi  
Administration)

} Members

} We're also present

} Witnesses

41 The Committee took up the examination of the Appropriation Accounts and connected documents relating to the Commerce Department

42 *Paragraph 32 (a) of the Auditor General's letter Bergal Pilot Service* The Committee was informed that the review was hitherto prepared by the Deputy Accountant General, Central Revenues, but in future would be prepared by the Principal Officer, Mercantile Marine Department, who would give the sort of account required by the Committee

43 *Paragraph 32 (b) of the Auditor General's letter.* The Accountant General, Central Revenues, informed the Committee that he had since heard from the Deputy Accountant General, Central Revenues, that the accounts of stores on board the Pilot Vessel "Lady Fraser" were now being maintained properly

44 As regards the large loss on the Bengal Pilot Service during the year 1931-32, the Committee was informed that the loss was mainly due to a cause beyond the control of the Government of India, viz, a large decrease in the volume of shipping. The aim of the Government of India was to make the service self-supporting and with this object a surcharge of 10 per cent on the pilotage fees had been imposed with effect from the 1st April 1932 and considerable economies effected in expenditure. As a result of these measures the accounts for 1932-33 showed a small surplus

45 *Grant No 47 Lighthouses and Lightships.* The Committee was informed that the decrease in the surplus of this Department in 1932-33 as compared with 1931-32 was due to a reduction of light dues by one pie per ton. It was not the intention of the Government of India to make a profit out of the Department but only to make it self-supporting. The reduction in the dues was introduced with effect from the 1st April 1932 as appreciable reserves had been built up

(Mr Stewart and Mr Raisman then withdrew and Mr Sloan, Mr. Trivedi and Mr Bishen Swarup entered)

46 *Item 14 of the Quarterly Statement—Andamans Butchery and Dairy.* The Committee was informed that the Chief Commissioner had effected many improvements, the sale of mutton, which accounted for a considerable portion of the loss under the Butchery, had been stopped while the sale price of cream had been enhanced from Re 1-4-0 to Rs 2 per pound. As a result of these improvements the Butchery made a profit in 1932-33 and the loss of the Dairy was considerably reduced. The Committee was not, however, satisfied as to the need for maintaining the Dairy if it could only be run at a loss. The Home Department was therefore requested to examine this point

47 *Paragraph 20 of the Auditor General's letter.* As regards paragraph 1 of the Important Comments on page 285 of the Appropriation Accounts, the witness admitted that it was a serious irregularity and that the officer concerned had been warned and that steps had been taken to prevent such irregularities in future. The Accountant General, Central Revenues, observed that the financial side of the Delhi Administration required strengthening owing to the abolition of the Pay and Accounts Office. The witness informed the Committee that they had now effected considerable improvements and that experience of this year would show whether the financial side actually required strengthening

48 *Paragraph 2 of the Important Comments on page 286 of the Appropriation Accounts. Irregular payments of grants-in-aid.* The Committee was informed that the sanction of the Government of India had since been obtained

49 *Paragraph 3 of the Important Comments on page 286 of the Appropriation Accounts.* A grant-in-aid of Rs 5,000 was paid to a college for equipment subject to the production of suppliers' receipts, but it was found later on that the actual expenditure incurred by this college was Rs. 7,257 only, so that the grant-in-aid admissible, which was 50 per cent of the actual expenditure, was less than the amount paid to the college.



The Committee desired that in cases where the grant-in-aid was a certain percentage of the actual expenditure incurred by the school or college, the Government of India should consider whether payments should not be made only after the production of necessary vouchers by the school or college authorities, which, the Committee understood, was the procedure in force in Madras

50 *Commercial accounts of the Shipping Department, Andamans*

The Committee was informed that the Government of India were now investigating whether they could manage with only one steamer leaving the Forest Department to arrange for the service of private steamers where necessary. The Committee desired that the results of the investigations should be intimated to them next year.

51 The Committee then adjourned till 2-30 P M

**Proceedings of the Sixth Meeting of the Public Accounts Committee  
held on Monday, the 7th August, 1933, at 2-30 P.M**

PRESENT

The Hon'ble Mr A. H. LLOYD, Finance Member, *Chairman*

Rao Bahadur M. C. RAJAH

Kunwer Hajee ISMAIL ALIKHAN

Mr S. C. MITRA

Mr K. P. THAMPAN

Mr J. RAMSAY SCOTT

Dr R. D. DALAL

Mr A. C. BADENOCH, Auditor General.

Mr J. F. MITCHELL, Accountant General  
Central Revenues

Mr M. K. SEN GUPTA, Audit Officer,  
Indian Stores Department

Sir JAMES PITKEATHLY, Chief Controller  
of Stores

Mr HAFIZ HUSSAIN, Under Secretary,  
Department of Industries and  
Labour

Rai Sahib KIRPA RAM, Assistant Director  
of Administration and Intelligence,  
Indian Stores Department

*Members.*

*Were also present.*

*Witnesses*

52 The Committee took up the examination of the Appropriation Accounts and connected documents relating to the Indian Stores Department

53 The Committee discussed in great detail with the Chief Controller of Stores the *pro forma* profit and loss accounts of the Indian Stores Department which showed a large "loss". The Chief Controller explained that as a result of the large fall in prices the commission credited to the Department, which was based on a percentage of the price of stores, had fallen considerably. He also mentioned that a correct estimate of the financial position could only be obtained if on the receipt side of the account credit could be taken for the large savings in the expenditure budgets of

the consuming Departments on the cost of stores purchased through the Indian Stores Department and that it was also impossible to assess in rupees, annas and pies the value of the services rendered by the Department in connection with the promotion and encouragement of Indian industries. The Committee expressed the opinion that though the *pro forma* accounts were very useful for enabling them to keep some sort of watch upon the general operations of the Department they could not expect the Stores Department to be self-supporting on the basis of those accounts, at any rate, at a time when the prices of all commodities were as low as at present.

(The witnesses then withdrew.)

54 The Committee then took up for consideration Appendix XIX regarding the amendment of the rules relating to the constitution of the Public Accounts Committee. After some discussion further consideration was postponed till the next day.

### Proceedings of the Seventh and Eighth Meetings of the Public Accounts Committee held on Tuesday, the 8th August, 1933, at 11-30 A.M. and 2-30 P.M.

#### PRESENT

The Hon'ble Mr A H LLOYD, Finance Member, *Chairman*

Rao Bahadur M C RAJAH

Kunwer Hajeer ISMAEL ALIKHAN

Mr S C MITRA

Mr MUHAMMAD ANWAR-UL-AZIM.

Mr K P THAMPAN

Mr J RAMSAY SCOTT

Dr R D DALAL

Mr A C BADENOCH, Auditor General

Mr JAGAT PRASAD, Deputy Auditor General

Mr S A VANESWAR, Accountant General, Posts and Telegraphs

The Hon'ble Mr J B TAYLOR, Financial Secretary

The Hon'ble Mr J A SHILLIDY, Secretary, Department of Industries and Labour

Sir THOMAS RYAN, Director General of Posts and Telegraphs

Mr S P VARMA, Financial Adviser, Posts and Telegraphs

Mr F T DEMONTRE, Chief Engineer, Posts and Telegraphs

*Members.*

*Were also present*

*Witnesses*

55 The Committee took up the examination of the Appropriation Accounts and connected documents relating to the Indian Posts and Telegraphs.

\* *Vide* Paragraph 1 of Proceedings in the second part relating to Railways

56 *Item 21 of the Quarterly Statement Indo-European Telegraph Department.* The Committee agreed that the settlement was an equitable one

57 *Appendix IX Recommendations of the Posts and Telegraphs Accounts Enquiry Committee.* The Committee noted the decisions of the Government of India and had no remarks to offer

58 *Paragraph 4 of the Auditor General's letter Financial position of the Posts and Telegraphs Department.* Copies of the statements made by the Director General regarding the financial position of the Posts and Telegraphs Department and the retrenchments effected are attached (Annexures I and II) The Committee was also informed that it should be noted that the loss of the Department included losses in connection with a number of activities which for reasons unconnected with the Department had to be definitely worked at a loss, for example, the loss on press messages, the loss on the non-commercial branch of the Wireless and the loss in working a number of unremunerative post offices

59 *Paragraph 5 of the Auditor General's letter.* The Financial Adviser and the Director General explained to the Committee the various steps which they were taking to improve the financial control

60 *Paragraph 6 of the Auditor General's letter and paragraph 74 of the Appropriation Accounts-* The Director General informed the Committee that instructions had been issued to all Heads of Circles drawing their attention to the necessity of calling for tenders in all cases He promised to circulate a copy of the instructions to the members of the Committee

61 *Item 20 of the Quarterly Statement Works expenditure in Posts and Telegraphs Department* The Financial Adviser informed the Committee that certain orders had been issued last year but he considered that they were not quite sufficient and said that they would be supplemented further.

\* *Vide Appendix XX since circulated*

## ANNEXURE I

(Vide paragraph 58 of Proceedings)

MEMORANDUM ON THE FINANCIAL POSITION OF THE INDIAN POSTS AND  
TELEGRAPHS DEPARTMENTNOTE *The figures are in thousands of rupees*

## 1931-32

1 The accounts for the year 1931-32 closed with a loss of 93,84, the expenditure charged to revenue being 11,58,44 while the revenue was only 10,64,60

## 1932-33

2 The budget estimate for 1932-33 provided for a revenue of 11,50,73 or an improvement from enhanced tariffs of 86,13. As the year advanced it was found that this expectation will not be realised and in the revised estimate a figure of 10,56,88, i.e., 7,72 less than the actuals for 1931-32 and 93,85 less than budget estimate 1932-33 was adopted. The expenditure provided in the budget for 1932-33 was 11,66,92 but the results from the economy campaign exceeded all anticipations that were entertained. This and various decisions on the recommendations of the Posts and Telegraphs Accounts Enquiry Committee enabled the provision being reduced in the revised estimate to 11,04,61 the saving compared with the budget being as large as 62,31. Big as this saving was it was insufficient to cover the gap caused by the fall in revenue and the revised estimate showed a loss of 47,73 as compared with 16,19 worked out in the budget estimate.

3 The March final accounts for 1932-33 have just been closed and the summary available indicates that the actuals will probably be a little better than was estimated in the revised estimate. The figures are subject to alterations as adjustments continue to be made until about October when the year's accounts are finally closed. According to these figures now available revenue amounted to 10,51,62 being less than the revised estimate figure by 5,26. If subsequent adjustments do not raise the figure it will be the lowest on record since 1926-27.

Fortunately, the results of the economy campaign have been more satisfactory and the total expenditure brought to account is 10,93,67 being 10,94 less than the revised so that the loss on the year's working amounts to 42,06 compared with 47,73 adopted for the revised estimate.

The following table summarises the figures and compares them with those for 1931-32

	Revenue	Expenditure charged to revenue	Loss
Accounts 1931-32	10,64,60	11,58,44	93,84
Budget Estimate 1932-33	11,50,73	11,66,92	16,19
Revised Estimate 1932-33	10,56,88	11,04,61	47,73
Accounts March Final, 1932-33	10,51,62	10,93,67	42,05

*Prospects for 1933-34*

The Budget Estimate for 1933-34 provides for a revenue of 10,81,34 while the expenditure has been estimated at 11,38,54 working to a loss of 57,20.

The following table compares the figures for the first three months of the current year with the budget proportions for the period and also the actuals for the corresponding months of the last year

	Revenue	Expenditure
April to June 1933-34	2,56,24	2,20,31
Budget proportions	2,54,47	2,29,09
April to June 1932-33	2,48,69	2,22,47

It will be noticed that revenue is better compared with the last year as also with the budget anticipations, while expenditure is less. The same impression of an improvement having set in is conveyed by reports relating to the volume of traffic which either show a perceptible although small improvement or an absence of deterioration compared with the last year. There seem to be some grounds therefore for entertaining the hope that the trough of depression has been reached if it has not been traversed. It is dangerous to speculate, but if the improvement in revenue is maintained, the economy campaign which is being pursued steadily will enable the Department to balance the budget in the not distant future.

## ANNEXURE II

*Paragraph 4 of Auditor General's letter and paragraph 9 of Appropriation Accounts*

(Figures in thousands of rupees)

The sanctioned budget for Working Expenses and Interest was 12,37,24 while the expenditure amounted to 11,58,44 showing a saving of 78,80. The sources of this saving can be analysed as follows

I Net savings on items not controlled by the Department (*e.g.*, Recommendations of Accounts Enquiry Committee)

	Rs
Credits for services rendered to other Departments	3,06
Contribution for Pensions	5,44
Interest including surcharge	9,47

17,97

Deduct excess on provision for depreciation 63,17,34

II Emergency Deduction from pay 15,00

### III Results of Economy Campaign in the Posts and Telegraphs Department including its Audit Offices

	Permanent	Temporary	Total.
Pay charges .	1,16		1,16
Allowances, etc		9,32	9,32
Repairs	6,00	7,11	13,11
Contingencies	4,00	3,88	7,88
Subsidies	2,50		2,50
Stamps and Postcards	3,46		3,46
Stationery and Printing	5,33		5,33
Miscellaneous	2,00	2,18	4,18
	24,45	22,49	46,94
		-	-
Deduct expenditure on retrenched personnel		48	48
	24,45	22,01	46,46

*Note* The reason for which the saving on stamps and Postcards and Stationery and Printing are treated as permanent is that the percentage ratio between the expenditure under these heads and the gross receipts of the Department is almost normal

No increase should occur normally unless traffic and receipts show a large increase when the increased expenditure is likely to be inappreciable compared with the increase in revenue

The distribution of the total saving between Permanent and Temporary is of course speculative being based on the nature of the items and of the economies carried out

The most noticeable feature of the figures given above is that the savings under staff exclusive of the emergency deduction, were only Rs 1,16,000. This was to be expected as retrenchment of staff even to keep pace with the fall in traffic could be initiated only after Government orders had issued after consideration of the Retrenchment Committee's recommendations. The orders were issued only in November 1931 and so only 4 months' savings in pay less leave salary, travelling allowance and gratuities could accrue as a maximum

In this connection attention is drawn to paragraphs 18 and 19 of the Posts and Telegraphs Retrenchment Sub-Committee's report in which the Committee observed that out of a gross grant of nearly 13 crores only about Rs 1,46,58,000 corresponded to what would be regarded in an ordinary Government Department as controllable expenditure susceptible of reduction without reducing salaries or establishment

The Committee will be interested, with reference to the second clause of paragraph 4 of the Auditor General's letter, to learn that the economic

in staff which were initiated in the last few months of 1931-32 bore fruit in 1932-33. In a statement circulated to the Legislative Assembly during the budget session it was stated that the savings from retrenchment of personnel on orders issued by the end of 1932-33 were estimated at Rs 6,27,000 per mensem. The latest figures now received show that the savings have reached a figure of Rs 6,68,000 per mensem or Rs 80,16,000 per annum. It will be appreciated, of course, that a saving of this magnitude will appear in the accounts only when the economy has been in force for a full financial year and the men have ceased to draw leave salaries.

It may be added that the search for economies continues and the latest estimates indicate a figure of Rs 8,76,000 per mensem, or Rs 1,05,12,000 per annum, being reached by the end of 1933-34.

The following figures of the pay charges of the Department during the last few years also help in realising the magnitude of the saving achieved.

Year	As in the account	Add amount of emergency deduction.	Totals being strictly comparable	Annual increment or decrement.
1924-25	6,12		6,12	
1925-26	6,33		6,33	+ 21
1926-27	6,57		6,57	+ 24
1927-28	6,90		6,90	+ 33
1928-29	7,34		7,34	+ 11
1929-30	7,66		7,66	+ 32
1930-31	7,90		7,90	+ 24
1931-32	7,88	15	8,03	+ 13
1932-33	7,19	60	7,79	24

An increment which had never been less than 13 lakhs per year has been converted into a decrement of 24 lakhs and this in spite of the fact that the annual increments are estimated to cost between 12 to 20 lakhs of rupees.

In view of the observations contained in this note the Posts and Telegraphs Department consider that the economies achieved even to the end of 1931-32 are neither small nor altogether temporary or likely to involve increased expenditure later on.

Proceedings of the Ninth Meeting of the Public Accounts Committee  
held on Wednesday, the 9th August, 1933, at 11-45 A.M.

PRESENT

The Hon'ble Mr A. H. LLOYD, Finance Member, *Chairman*.

Rao Bahadur M C RAJAR.

Mr T N RAMAKRISHNA REDDI

Kunwei Hajee ISMAEL ALIKHAN.

Mr S C MITRA

Mr K P THAMPAN.

Mr MUHAMMAD ANWAR-UL-AZIM

Mr J RAMSAY SCOTT.

Dr R D DALAL

Members.

Mr A C BADENOCH, Auditor General

Mr JAGAT PRASAD, Deputy Auditor  
General

Mr S A VANESWAR, Accountant General,  
Posts and Telegraphs

The Hon'ble Mr J B TAYLOR, Financial  
Secretary

Were also present.

Sir THOMAS RYAN, Director General of  
Posts and Telegraphs

Mr S P VARMA, Financial Adviser,  
Posts and Telegraphs

Mr F T DEMONTE, Chief Engineer,  
Posts and Telegraphs

Witnesses

62 The Committee continued the examination of the Appropriation Accounts and connected documents relating to the Posts and Telegraphs Department

63 *Paragraph 76 of the Appropriation Accounts.* The explanation given by the Director General, Posts and Telegraphs, was considered by the Committee to be satisfactory. The Auditor General remarked that, if the facts as put forward by the Director General had been known to Audit, the paragraph would not have appeared in the Appropriation Accounts. The Committee desired that when the Departmental investigation into cases of financial irregularities put forward by audit had not been completed, a note to that effect should be made in the Appropriation Report.

64 *Paragraph 78 of the Appropriation Accounts.* The Director General explained that no private houses were available in the locality. The alternatives were either to hire the Railway bungalows available at the place or to construct their own buildings. As a measure of economy it was decided to rent the railway bungalows rather than construct new buildings. The Committee accepted the explanation.



65. *Paragraph 79 of the Appropriation Accounts.* The Director General informed the Committee that case No 1 had been settled and that the other cases were under examination

66 *Paragraph 7 of the Auditor General's letter Establishment charges* The Committee accepted the conclusion of the Auditor General and the Director General that the present method of working out these figures did not serve any useful purpose and desired to have a report next year showing the results of the enquiry now being undertaken by the Financial Adviser.

67. *Paragraph 8 of the Auditor General's letter Stores Accounts.*—The Director General admitted that the balances of stores were unduly high mainly as a result of the large purchases made immediately after the War. He pointed out that the balances had been reduced from about 2½ crores in 1923-24 to 69 lakhs at the end of 1931-32 and added that every endeavour was being made to reduce the balances still further. The Committee noted with satisfaction the steady progress made in reducing the balances

68 *Paragraph 9 of the Auditor General's letter Rents* The Director General explained that the increase in the number of houses still to be assessed was due to (1) in cases where a building consisted of a number of quarters, each set of quarters was now being treated as a separate unit for the purpose of assessing rent, and (2) as a result of the economy campaign, a number of officers who were formerly allowed rent-free quarters, had now to pay rent and the quarters occupied by such officers had to be added to the number of buildings the rent of which had to be assessed. The Director General informed the Committee that there was no loss of revenue to Government, because, in the case of quarters the rent of which had not yet been assessed, ten per cent of the pay of officers was being recovered

69 The Committee then adjourned till 2-30 P M \*

\*The Committee at its Tenth, Eleventh, Twelfth, Thirteenth and Fourteenth meetings dealt with Railway Appropriation Accounts

**Proceedings of the Fifteenth Meeting of the Public Accounts Committee  
held on Saturday, the 12th August, 1933, at 11 A.M.**

**PRESENT .**

Chairman from  
11 A.M. to 12 NOON

} M<sup>r</sup> S C MITRA

Chairman from  
12 NOON

} The Hon'ble M<sup>r</sup> A H LLOYD, Finance  
Member

M<sup>r</sup> T N RAMAKRISHNA REDDI  
Kunwer HAJEE ISMAIL ALIKHAN

M<sup>r</sup> K P THAMPAN

M<sup>r</sup> RAMSAY SCOTT

Dr R D DALAL

} Members

M<sup>r</sup> A C BADENOCH, Auditor General

M<sup>r</sup> J F MITCHELL, Accountant General, Central  
Revenues

M<sup>r</sup> L J PECK, Director of Army Audit

The Hon'ble M<sup>r</sup> J B TAYLOR, Financial Secretary

} Were also  
present

Sir LANCELOT GRAHAM, Secretary, Legislative Department

M<sup>r</sup> V NARAHARI RAO, Additional Deputy Secretary,  
Foreign and Political Department

Raj Bahadur CHUNI LAL, Financial Secretary, North-  
West Frontier Province

L SUNDAR DAS, Financial Assistant, Baluchistan

M<sup>r</sup> G R F TOTTENHAM, Secretary, Army Department

M<sup>r</sup> W R TENNANT, Financial Adviser, Military  
Finance

} Witnesses.

As the Hon'ble M<sup>r</sup> Lloyd, the Finance Member, had to attend a meeting of the Executive Council, the members elected M<sup>r</sup> S C Mitra as chairman during his absence

70 Grant No 29 Council of State The Accountant General, Central Revenues, explained to the Committee that during the last four years there had been savings under the head allowances, honoraria, etc, to members of the Legislature owing to the fact that a supplementary grant was obtained from the Assembly during the year to cover a carry-over of expenditure from the previous year as a result of the extension of the Legislature beyond the 31st March. A major portion of these supplementary grants proved unnecessary as there was a similar extension of the Legislature beyond the 31st March during the year and

consequent carry-over of expenditure to next year. He therefore suggested that the estimate should be framed on the assumption that extensions beyond 31st March would occur. Sir Lancelot Graham explained that there were two uncertain factors, viz, (1) the November session of the Legislature and (2) the extension of the Legislature beyond 31st March. In addition to these two there was also the factor that though the Legislature might be extended beyond 31st March some members left before that date and their allowances had to be paid before the close of the financial year. As regards the emergency session, the Committee agreed that it could not be anticipated and nothing could be done, but as regards the extension of the Legislature beyond 31st March, the Committee was of opinion that the estimate should be framed on the basis of the experience of past years. As during the last five years the session actually extended beyond 31st March, the estimates should be framed on this basis but due allowance should be made for the fact that some members left before the 31st March.

(Sir Lancelot Graham then left and the representatives of the Foreign and Political Department were called in.)

71 *Paragraph 22 of the Auditor General's letter: Laxity of current control of expenditure under Frontier Watch and Ward.* Mr. Narahari Rao explained that the main difficulty was in connection with the expenditure in Burma which was controlled by the local Government. The difficulties of the local Government were mainly in connection with the anti-slavery expeditions and they were real difficulties as these expeditions started late in the financial year with advances for expenditure and were out of touch with the headquarters till the beginning of the next financial year. The Committee recognised the difficulties, but, at the instance of the Auditor General, suggested that the Accountant General, Burma, should consult the local Government whether some system could not be devised whereby a more efficient control of expenditure could be achieved.

72 *Paragraph 23 of the Auditor General's letter and Important Comments on Grant No 79-Baluchistan--Fictitious transfers of Government servants in Baluchistan.* The Committee considered that this was a very serious irregularity and noted the orders issued by the local Administration.

73 *Grant No 71 Currency and Important Comments on page 177 Theft of Rs 3,000 from a sub-treasury in Baluchistan.* In this case the sub-treasury officer handed over his set of sub-treasury keys to a chaprasi to be taken to the sub-treasurer for the day. As the loss had been made good by the treasurer, the local Administration merely issued orders impressing on all officials connected with the administration of treasuries the strict observance of the rules in the Treasury Manual. They did not consider that any further action, departmental or otherwise, against the sub-treasury officer was necessary. The Committee did not agree with this decision and suggested that the Foreign and Political Department should take up the question of some disciplinary action against the sub-treasury officer. It was also brought to the notice of the Committee that cases of such thefts or defalcations were not being reported to the Government of India by the local Administrations unless the sanction of the Government of India was necessary for writing off

the whole or a portion of the loss. The Committee considered that arrangements should be made for the reporting of all such cases to the Government of India in the Administrative Department concerned so as to enable them to judge whether the action taken by the local Administration was sufficient.

(The Foreign and Political Department witnesses then left and the Army Department witnesses entered.)

The Hon'ble Mr. A. H. Lloyd took the chair.

74 *Report on the Military Accounts Committee* The Committee endorsed the recommendations and observations of the Military Accounts Committee both in its report and in the accompanying proceedings of its meetings. As regards the special point of the *pro forma* account of expenditure on Auxiliary and Territorial Forces, the Public Accounts Committee agreed with the Military Accounts Committee that the present arrangements were unsatisfactory from a practical point of view. They therefore approved of the suggestion of the Army Secretary that proposals should be worked out for classifying certain units as wholly debitable to this account and others as wholly debitable to the ordinary Army Grant.

75 The Committee decided to meet on the 21st August 1933 at 2-30 P.M. to deal with the draft report.

\*The draft Report of the Public Accounts Committee was adopted by the Committee with certain modifications at its sixteenth meeting held on Monday, the 21st August, 1933, at 2-30 P.M.



## **VI. APPENDICES.**

### **APPENDIX I.**

#### **(SECOND QUARTERLY)**

**Statement showing action taken or proposed to be taken on recommendations, etc., so far made by the Central Public Accounts Committee which have not been finally disposed of.**

#### **Part I—Civil, Military and Posts and Telegraphs**

**[Quarter ending July 1933.]**

*Statement showing action taken or proposed to be taken on recommendations, etc.,  
disposed*

PART I Civil, Military and

Serial No	Year of Report	Paragraph of Report or Proceedings	Recommendations or Suggestions
CIVIL (EDUCATION, HEALTH AND LANDS)			
1	1927-28 1928-29 1929-30 1930-31	53 R 18 (2) R 21 (2) R and 148P 15 R	That, as a last resort, the question of selling the entire surplus stock of quinine independently of local Governments should be seriously and urgently considered or, if that be not feasible, of using it for the people in malaria districts and that the possibility of curtailing Government of India's annual production and manufacture should be examined
2	1929-30 1930-31  1930-31	162 P 14 P ['Item 24']  37 P	(a) That the Commercial accounts should be debited with royalty on timber extracted (Andamans) at rates similar to those recovered from contractors and that the charge should be reckoned at a fair standard rate  (b) That the question whether a proper commercial rate should not be charged to the Forest Department, Andamans, for carriage of timber should be examined in connection with Mr Morgan's report
3	1930-31	24 R	That the rate charged to the Army for the products of the Imperial Institute, Wellington, should be raised to cover the cost of production or, in the alternative, the question of closing down the Institute altogether should be seriously considered
CIVIL (FINANCE)			
4	1922-23  1929-30 1930-31	33 R  6 P 1 P ['Item 25']	That, as recommended by the Incheape Committee, it is desirable to amend the leave rules which seem to be unnecessarily complicated That final decisions ought to be taken in regard to this matter in the course of the year 1932-33.
5	1923-24 1928-29 1929-30 1930-31	43 R 7 P 9 P Item (4) under '(A)' of Annexure A to Report.	That the question of recovery of public claims, etc., from the pay and pension of civil officers should be considered in connection with terms of service of future entrants

*so far made by the Central Public Accounts Committee which have not been finally of.*

*Posts and Telegraphs*

Action taken or proposed to be taken

Steps are being taken to sell the surplus stock of quinine. As regards the possibility of curtailing Government of India's annual production and manufacture of the drug, orders were issued in 1931 to the Director, Botanical Survey of India, forbidding extension of cinchona cultivation in Burma during 1932-33. No extension in the future is now contemplated. Measures for reduction in the Burma production are proceeding as quickly as consideration for capital value represented by an area developed and about to yield its quota of bark—will allow.

(a) The question is still under consideration

(b) The question has been examined and it has been decided that the existing arrangements should continue

Economies have been introduced in the working of the Wellington Farm, with effect from 1st April 1932, which should reduce the cost of production, and therefore consideration of the question of revising the existing charges for the produce, which are higher than the prevailing market rates, has been deferred until the accounts of the Farm for the year 1932-33 have been prepared.

A draft of the revised leave rules applicable to the Governor-General in Council's services is ready and the new rules will, it is hoped, be issued in the course of the year 1933-34.

After consideration, the Government of India have come to the conclusion that it would be impracticable to make any such specific stipulation and that their existing powers for the recovery of losses should be adequate for all practical purposes if properly exercised.



*Statement showing action taken or proposed to be taken on recommendations, etc  
disposed*

**PART I Civil, Military and**

Serial No	Year of Report	Paragraph of Report or Proceedings	Recommendations or Suggestions
<b>CIVIL (FINANCE) <i>contd</i></b>			
6	1929-30	21 (1) R	That the recommendations made by the previous Public Accounts Committees, which are awaiting consideration in connection with the impending constitutional changes, should be noted in a Special Appendix for necessary action at the proper time and that the Appendix need not be printed or circulated to the Committee in future
	1930-31	1 P ['Item 33']	That this item should continue to be shown in the Quarterly Statement until all the items have been properly disposed of
7	1929-30 1930-31	35 R 1 P ['Item 37']	That steps should be taken to ensure the proper discharge by the Finance Department of the Government of India of its ultimate responsibility in regard to the examination of the financial prospects of capital projects undertaken by Provincial Governments or Indian States and met from loans by the Government of India
8	1930-31	14 R	That proper steps should be taken for the accounting and audit of the cash and stock transactions of Police Clothing and Equipment Funds and that each Administration should submit to the Finance Department of the Government of India with its budget proposals for contributions for the ensuing year a review of the situation as regards the total transactions for the past, current and ensuing years and an analysis of the rates of contributions in force
9	1930-31	19 R	That Departments should be prohibited from incurring any expenditure without appropriation except when absolutely necessary and urgent and that the Legislative Assembly should not be approached for supplementary grants unless they are believed to be really necessary

*so far made by the Central Public Accounts Committee which have not been finally of—contd.*

*Posts and Telegraphs—contd*

Action taken or proposed to be taken

Accepted

The principle is accepted, and the best method of giving practical effect to it is under consideration

Steps have been taken as recommended in regard to the Funds in Delhi and Baluchistan

Accepted

Statement showing action taken or proposed to be taken on recommendations, etc ,  
disposed

PART I Civil, Military and

Serial No	Year of Report	Paragraph of Report or Proceedings	Recommendations or Suggestions
CIVIL (FINANCE) <i>concl'd</i>			
10	1930-31	20 R	That the Finance Department should examine the question whether an earlier intimation from Provincial Governments of their loan requirements cannot be obtained to enable the Government of India to avoid excesses over the grants under the head "Loans and Advances from the Provincial Loans Fund" by going up to the Assembly for supplementary grants in time
11	1930-31	22 R	That the general question of reducing stocks of stores held by Departments by revising the basis of calculation of working balances in the manner suggested by the Committee should be examined by Departments
12	1930-31	29 R	That the utilization of unanticipated credits for the purpose of covering expenditure in excess of the grant, is not permissible and that such credits should be treated in the accounts as receipts and not as deductions from expenditure
13	1930-31	2 P	That the Finance Department should consider whether the present method of estimating under Grant No 97-Interest Free Advances could be improved
CIVIL (HOME)			
14	1930-31	25 R	That the sale price of the products of the Butchery and the Dairy in the Andamans should be revised so as not to be less than the cost price and that the transactions of the Executive Commissariat Department should be placed on a proper footing

*so far made by the Central Public Accounts Committee which have not been finally of contd*

*Posts and Telegraphs contd*

Action taken or proposed to be taken

Accepted

A memorandum on the subject is under preparation and printed copies thereof will be circulated to the Committee shortly \*

The Auditor General has evolved a procedure which will be placed for consideration before the Public Accounts Committee at its next meeting -

The proposal has been considered and suitable instructions have been issued to local officers by the Controller of the Currency

The Chief Commissioner, Andaman and Nicobar Islands, has effected many improvements. The sale of mutton, which accounted for a considerable portion of the loss under Butchery, has been stopped while the sale price of cream has been enhanced from Rs 1-4-0 to Rs 2 per lb. It was not found possible to increase the sale price of milk which would have deflected trade from the Dairy to the milk sellers. Some reduction in Staff has also been effected. It is proposed to await the result of these measures in the accounts for 1932-33 before taking any further action. It may be noted that certain accounting changes which have been made at the instance of the audit authorities to show the true position have also tended to increase the cost of these concerns. The Government of India appreciate the comments of the Public Accounts Committee which have led to an improvement in the accounts of these two concerns.

\* Two memoranda since circulated, *vide* Appendices XVI and XVII

## APPENDIX A

(Vide *Serial No 21 of Quarterly Statement*)

REPORT TO THE PUBLIC ACCOUNTS COMMITTEE GIVING INFORMATION REGARDING THE REFUND OF CERTAIN ADVANCES TO HIS MAJESTY'S GOVERNMENT MADE BY THEM IN CONNECTION WITH THE CONSTRUCTION OF CERTAIN TELEGRAPH LINES IN PERSIA (PARAGRAPH 62 OF THE PROCEEDINGS OF THE PUBLIC ACCOUNTS COMMITTEE ON THE ACCOUNTS OF 1930-31, VOLUME I, PART I)

Information on the following points relating to certain questions referred to in paragraph 115 (page 123) of the report of the Accountant-General, Posts and Telegraphs, on the Appropriation Accounts of the Indo-European Telegraph Department for 1930-31 has been obtained from the Secretary of State

- (1) How much, if any, of the net amount of Rs 7,30,955 stated as recoverable from Persia has been or will be actually recovered ?
- (2) Why does the report of the Home Auditor on the Secretary of State's Accounts for 1930-31 refer only to an unrecovered balance of Rs 2,69,600 ?
- (3) What were the reasons for the decision that India should refund to His Majesty's Government the unrepaid balance of the original advance made by that Government for the construction of the Kerman-Bunder Abbas line ?

2 As regards the first point, the agreement made between the British and Indian Governments on the one hand and the Persian Government on the other, with a view to the settlement of questions connected with the withdrawal of the Indo-European Telegraph Department from Persia, provided that all debits and claims existing between the two parties in relation to telegraph matters should be cancelled. Further the terms on which the telegraph lines forming part of the Indo-European system in Persia were constructed provided that in the event of the relinquishment of the lines by the British authorities the Persian Government would be relieved of all further liability for payments in respect of the costs of construction of the lines. No portion of the net amount of Rs 7,30,955 has been or will, therefore, be recovered.

3 As regards the second point, the account of the winding-up transactions given in paragraph 14 of Section 1 of the Home Auditor's report on the Secretary of State's Accounts for 1930-31 is incomplete as it makes no reference to the cancellation of the debts due from and credits to Persia as a result of the agreement referred to above.

4 As regards the last point, the Kerman-Bunder Abbas line was constructed during the War at a cost of Rs 6,51,182, of which Rs 81,398, or one-eighth part, was a gift to Persia borne equally by the British and Indian Governments. The balance of Rs 5,69,784 was advanced half by the British Government and the other half by the Indian Government, and was being recovered from Persia at the rate of Rs 18,763 per annum by withholding one-fourth of the rental due to Persia in respect of the Central Persia line.

A sum of Rs 3,00,198 had been so recovered on the date from which the withdrawal agreement took effect leaving an unrecovered balance of Rs 2,69,586. The British Government insisted upon the repayment in full of their half of the advance, *viz*, Rs 2,84,892 although the recovery from Persia of the total advance would not be effected. It was argued that the surrender of this line, as part of the Indo-European Telegraph system, to Persia had a definite negotiable value to the Government of India in completing their deal with the Imperial Communication Company, that directly or indirectly the Government of India were getting consideration for this surrender after making full allowance for the loss of their share of the outstanding instalments, and that but for this transaction the outstanding moiety due to the British Government would have eventually been received in full. It had to be admitted that India was in fact contracting out of Persia for her own interests, receiving in the process a sum of £450,000 in cash and that the receipt of any further instalments of the amount advanced by the British Government was thereby effectively precluded. The Secretary of State for India considered that it was therefore only just that India should recognise her liability for the complete repayment of the British Government's dues.

5 The information in the preceding paragraphs has been communicated to the Accountant General, Posts and Telegraphs, who has placed on record his view that the arrangement should be considered equitable.

## APPENDIX B

(Vide *Serial No 19 of Quarterly Statement*)

An attempt was first of all made to initiate the work of revision by dealing independently with some of the more complicated sections of the different regulations. These consist of no less than 24 books, excluding the various training manuals, books relating to peace and war establishments, equipment tables, priced vocabularies, etc. A provisional revised edition of equipment regulations has been published, and war equipment tables have been prepared for a number of units, formations, etc. Revised drafts have also been prepared of portions of regulations relating to disability pensions, house rent allowances at Calcutta, Bombay and Rangoon, residential accommodation generally, leave rules for various military personnel, and the various regimental allowances, but the results were not altogether satisfactory. The real difficulty is that general principles and their detailed application are mixed up together in a single publication and often there is more than one book of regulations dealing with the same subject. It is almost impossible, therefore, to be sure that the revision of any particular portion of any particular book really covers the whole ground, and, even when there is a reasonable certainty on this point, the major problem still remains of separating the wheat from the chaff. Isolated revisions of this kind merely touch the fringe of the subject. To attain any real and lasting simplification it has accordingly been decided that the first step should be to prepare a set of basic rules applicable to the various classes of personnel. This has been taken in hand and considerable progress has already been made. The basic rules will, it is hoped, serve as a foundation for the revision of the regulations as a whole, and will facilitate the subsequent work by enabling the same general principles to be applied throughout. Many months of hard work must, however, elapse before real progress can be shown in this enormous task.

## APPENDIX II.

## Statement comparing expenditure with grants for 1931-32.

Number and name of Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Excess+ Saving—	Net re-appropriation or surrender	Remainder unadjusted + or —
PART I—CIVIL.					
A—EXPENDITURE CHARGED TO REVENUE					
16 Customs					
Voted	75,52,900	66,37,786	—9,15,114	—7,94,597	—1,20,517
Non-voted	21,78,848	21,75,358	3,490		—3,490
17 Taxes on Income					
Voted	71,74,900	69,33,372	—2,41,528	—51,711	—1,89,817
Non-voted	3,62,410	3,54,871	—7,539		—7,539
18 Salt—					
Voted	80,46,000	72,93,681	—7,52,319	—6,07,716	—1,44,603
Non-voted	41,95,980	41,73,829	—22,151		—22,151
19. Opium—					
Voted	79,04,000	77,11,015	—1,92,985	—1,71,356	—21,629
Non voted	2,83,998	2,66,211	—17,787		—17,787
20 Stamps—					
Voted	2,000	7,762	+5,762	—530	+6,292
Non-voted	5,145	5,183	+38		+38
21 Forest—					
Voted	8,36,000	6,61,937	—1,74,063	—1,66,009	—8,054
Non voted	2,58,335	2,58,110	—225		—225
22 Irrigation, Navigation, etc —					
Voted	17,16,000	16,03,713	—1,12,287	—3,900	—1,08,387
Non-voted	15,31,760	14,95,361	36,399		—36,399
25 Interest on ordinary Debt, and Reduction or avoid- ance of Debt—					
Voted	3,27,09,000	3,13,68,750	—13,40,250	—12,97,000	13,250
Non-voted	8,43,87,000	8,15,59,830	—28,27,170		—28,27,170
26 Interest on Miscellaneous Obligations—					
Voted	47,78,000	48,90,238	+1,12,238		+1,12,238
Non-voted	8,00,50,581	7,94,20,546	6,30,035	..	—6,30,035

Number and name of Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Excess + Saving—	Net re appropriation or surrender	Remainder unadjusted + or —
27. Staff, Household and Allowances of the Governor General—					
Voted	4,50,000	4,45,419	1,581	—18,360	+13,779
<i>Non-voted</i>	10,16,906	9,76,252	40,654		- 10,654
28 Executive Council—					
Voted	90,900	84,042	—6,858	—13,100	+6,242
<i>Non-voted</i>	4,72,119	4,70,313	—1,806		—1,806
29 Council of State—					
Voted	1,25,000	1,01,685	—23,315	.	—23,315
<i>Non-voted</i>	57,525	55,460	—2,065		—2,065
30 Legislative Assembly and Legislative Assembly Department—					
Voted	8,50,000	7,57,276	—92,724	—38,410	—54,314
<i>Non-voted</i>	89,500	82,649	—6,851		—6,851
31 Foreign and Political Department—					
Voted	9,14,000	8,49,839	—64,161	—36,795	—27,366
<i>Non-voted</i>	2,69,208	2,66,013	—3,195	.	—3,195
32 Home Department—					
Voted	6,93,000	6,00,822	—92,178	—91,044	—1,134
<i>Non-voted</i>	13,32,808	13,89,317	+56,509		+56,509
33 Public Service Commission—					
Voted	94,000	80,075	—13,925	—9,200	1,725
<i>Non-voted</i>	2,30,900	2,26,383	1,517		4,517
34 Legislative Department—					
Voted	3,41,000	3,08,914	—32,086	—31,715	—371
<i>Non-voted</i>	1,80,145	1,79,930	—215		—215
35 Department of Education, Health and Lands—					
Voted	6,08,000	5,58,595	49,405	17,595	—1,810
<i>Non-voted</i>	1,88,277	1,87,173	—1,104		—1,104
36 Finance Department—					
Voted	10,77,000	9,86,168	—90,832	—87,343	—3,489
<i>Non-voted</i>	3,47,450	3,45,306	—2,144		—2,144



Number and name of Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Excess+ Saving—	Net re appropriation or surrender	Remainder unadjusted + or —.
37 Separation of Accounts from Audit—					
Voted	15,27,000	10,32,183	1,94,817	1,60,352	—34,465
<i>Non voted</i>	88,000	83,509	4,491		—4,491
38 Commerce Department—					
Voted	3,64,000	3,56,571	—7,429	—7,487	+58
<i>Non voted</i>	1,13,069	1,12,682	—387		—387
39 Army Department—					
Voted	5,38,900	4,98,479	10,421	—35,025	—5,396
<i>Non-voted</i>	96,449	94,839	—1,610		—1,610
40 Department of Industries and Labour—					
Voted	5,05,000	4,37,212	—67,788	—57,380	—10,408
<i>Non voted</i>	1,35,084	1,36,865	+1,781		+1,781
41 Central Board of Revenue—					
Voted	1,70,000	1,57,295	—12,705	—12,512	—193
<i>Non voted</i>	1,09,210	1,08,708	502		—502
42 Payments to Provincial Governments, etc —					
Voted	2,78,000	2,74,389	—3,611	—2,925	—686
<i>Non voted</i>	1,55,600	1,55,101	—499		499
43 Audit—					
Voted	89,14,000	85,92,195	—3,21,805	—2,88,830	—32,975
<i>Non-voted</i>	10,12,640	9,43,975	—68,665		—68,665
44 Administration of Justice					
Voted	55,000	53,084	—1,916	—1,275	—641
45 Police					
Voted	2,01,000	1,87,070	—13,930	—1,656	—12,274
<i>Non-voted</i>	2,19,505	2,05,996	—13,509		—13,509
46 Ports and Pilotage—					
Voted	13,17,000	11,41,056	—1,75,944	—1,62,180	—13,764
<i>Non voted</i>	11,77,080	11,70,773	—6,307	..	—6,307

Number and name of Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Excess+ Saving—	Net re-appropriation or surrender	Remainder unadjusted + or —
47 Lighthouses and Light-ships—					
Voted	12,82,000	10,34,689	—2,47,311	—2,35,281	—12,030
Non-voted	20,761	20,216	—545		—545
48 Survey of India—					
Voted	33,43,000	28,10,926	—5,32,074	—5,17,980	—14,094
Non-voted	7,58,700	7,23,642	—35,058		—35,058
49. Meteorology—					
Voted	20,49,000	16,76,980	—3,72,020	—3,05,113	—66,907
Non-voted	1,06,025	1,05,044	—981		—981
50 Geological Survey—					
Voted	2,37,000	2,00,167	—36,833	—28,640	—8,193
Non-voted	2,92,740	2,78,550	—14,190		—14,190
51 Botanical Survey—					
Voted	2,54,000	1,83,079	—70,921	—69,726	—1,195
Non-voted	35,080	33,476	—1,604		—1,604
52 Zoological Survey—					
Voted	1,54,000	1,33,286	—20,714	—19,598	—1,116
Non-voted	49,708	49,510	—198		—198
53 Archæology—					
Voted	13,74,000	10,22,621	—3,51,379	—3,28,574	—22,805
Non-voted	1,55,962	1,69,474	+13,512		+13,512
54. Mines					
Voted	1,40,000	1,24,823	—15,177	—15,511	+334
Non-voted	1,18,064	1,16,716	—1,348		—1,348
55. Other Scientific Departments—					
Voted	3,24,000	3,19,651	1,349	1,058	—291
56. Education—					
Voted	18,72,000	18,42,941	—29,059	—26,267	—2,792
Non-voted	42,571	41,990	—581		581

Number and name of Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Excess+ Saving—	Net re appropriation or surrender	Remainder unadjusted + or —
57 Medical Services—					
Voted	6,90,000	6,38,974	—51,026	47,201	3,825
<i>Non-voted</i>	2,83,837	2,64,922	—18,915		—18,915
58 Public Health—					
Voted	12,07,000	11,32,043	—74,957	61,742	—13,215
<i>Non-voted</i>	1,62,728	1,58,513	—4,215		1,215
59 Agriculture—					
Voted	15,06,000	13,64,074	—1,41,926	—97,881	14,045
<i>Non-voted</i>	1,74,275	1,70,503	—3,772		—3,772
60 Imperial Council of Agricultural Research Department—					
Voted	7,01,000	6,42,357	—58,643	—53,815	—4,828
<i>Non-voted</i>	79,885	79,640	—245		—245
61 Civil Veterinary Services—					
Voted	7,41,000	5,79,292	—1,61,708	—1,54,389	7,319
<i>Non voted</i>	73,805	70,816	—2,989		—2,989
62 Industries—					
Voted	1,74,000	1,48,493	—25,507	—21,508	—3,999
<i>Non-voted</i>	14,740	14,666	—74		—74
63 Aviation—					
Voted	31,40,000	16,33,938	—15,06,062	—14,94,296	—11,766
<i>Non-voted</i>	18,845	18,078	—767		—767
64 Commercial Intelligence and Statistics—					
Voted	5,23,000	2,53,631	—2,69,369	—2,66,210	—3,159
<i>Non-voted</i>	51,163	53,269	+2,106		+2,106
65 Census—					
Voted	31,13,000	25,99,022	—5,13,978	1,09,308	—1,04,670
<i>Non voted</i>	2,72,955	2,69,665	—3,290		—3,290
66 Emigration—Internal—					
Voted	36,000	29,488	—6,512	1,330	—2,182
<i>Non voted</i>	10,050	10,082	+32		+32

Number and name of Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Excess + Saving—	Net re appropriation or surrender	Remainder unadjusted + or —
67 Emigration—External—					—
Voted	2,03,000	1,90,190	—12,810	—16,574	+3,764
<i>Non-voted</i>	53,054	49,146	—3,908	.	—3,908
68 Joint Stock Companies—					
Voted	1,16,000	1,01,675	—14,325	—10,842	—3,483
<i>Non-voted</i>	31,483	31,556	+73	.	+73
69 Miscellaneous Depart- ments—					
Voted	6,21,000	5,76,204	44,796	—30,074	—14,722
<i>Non-voted</i>	55,247	52,349	—2,898	.	—2,898
70. Indian Stores Depart- ment—					
Voted	6,42,000	5,88,543	53,457	—7,700	45,757
<i>Non-voted</i>	1,49,300	1,48,877	423		423
71. Currency—					
Voted	48,38,000	42,33,891	—6,04,109	—7,25,311	+1,21,202
<i>Non-voted</i>	1,50,656	1,44,628	—6,028		—6,028
72 Mint—					
Voted	55,94,000	30,77,352	—25,16,648	—65,071	—24,51,577
<i>Non-voted</i>	1,07,725	1,07,518	—207		—207
73 Civil Works—					
Voted	2,26,40,000	2,11,88,273	—14,51,727	—15,12,015	+60,288
<i>Non-voted</i>	11,44,861	8,89,430	—2,55,431		—2,55,431
74 Superannuation Allow- ances and Pensions—					
Voted	46,98,000	56,60,750	+9,62,750		+9,62,750
<i>Non-voted</i>	2,19,11,299	2,14,43,308	4,67,991		4,67,991
75. Stationery and Printing—					
Voted	62,57,000	55,26,807	—7,27,193	—8,53,760	+1,26,567
<i>Non-voted</i>	77,923	79,944	+2,021	..	+2,021
76. Miscellaneous—					
Voted	15,85,000	14,45,200	—1,39,800	—34,818	1,04,982
<i>Non-voted</i>	31,57,234	31,62,318	+5,084		+5,084

Number and name of Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Excess + Saving—	Net re-appropriation or surrender	Remainder unadjusted + or—
76-A. Expenditure on Re- trenched personnel charged to Revenue Voted		2,69,155	+2,69,155		+2,69,155
<i>Non voted</i>		14,126	+14,126		+14,126
77 Refunds—					
Voted	84,43,000	90,31,307	+5,88,307	—7,52,719	+13,41,026
<i>Non-voted</i>	2,42,97,473	2,09,68,491	—33,28,982	.	—33,28,982
78 North-West Frontier Pro- vince				/	
Voted	1,11,39,000	1,05,32,118	—6,06,882	1,37,361	—1,69,521
<i>Non-voted</i>	1,30,63,258	1,29,62,090	—1,01,168		—1,01,168
79 Baluchistan					
Voted	31,27,000	27,65,681	—3,61,319	—3,21,873	—39,446
<i>Non-voted</i>	44,37,810	43,68,631	—69,179		69,179
80. Delhi—					
Voted	43,69,000	44,74,697	+1,05,697		+1,05,697
<i>Non-voted</i>	2,87,052	2,79,670	—7,382		—7,382
81 Ajmer-Merwara—					
Voted	16,97,000	13,95,840	—3,01,160	—2,90,970	—10,190
<i>Non-voted</i>	1,17,760	1,17,977	+217	.	+217
82 Andamans and Nicobar Islands—					
Voted	40,08,000	36,09,079	—3,98,921	—2,74,117	—1,24,804
<i>Non-voted</i>	2,05,755	2,18,678	+12,923		+12,923
83 Rajputana—					
Voted	5,55,000	4,48,334	—1,06,666	—1,05,810	—856
<i>Non-voted</i>	7,61,030	7,60,627	—403		—403
84 Central India—					
Voted	5,66,000	4,27,401	—1,38,599	—1,26,120	—12,479
<i>Non-voted</i>	7,09,311	7,19,798	+10,487		+10,487
85 Hyderabad—					
Voted	3,19,000	2,52,141	—66,859	62,605	1,254
<i>Non-voted</i>	6,30,240	6,12,415	—17,825		—17,825

Number and name of Grant or Appropriation.	Final Grant or Appropriation	Actual Expenditure	Excess+ Saving—	Net re-appropriation or surrender	Remainder unadjusted + or—
86 Expenditure in England under the control of the Secretary of State for India—					
Voted	19,34,000	17,43,704	—1,90,296	—1,29,000	61,296
Non-voted	19,96,000	18,79,617	—1,16,383		—1,16,383
87 Expenditure in England under the control of the High Commissioner for India—					
Voted	33,54,000	28,87,949	1,66,051	—3,60,000	—1,08,051
Non-voted	43,01,000	42,08,625	—92,375		—92,375
Excise					
Non-voted	2,40,000	2,08,596	—31,404		—31,404
Ecclesiastical—					
Non-voted	28,46,642	28,00,085	46,557	.	46,557
Political—					
Non-voted	1,05,60,625	1,04,05,384	—1,55,241		—1,55,241
Frontier Watch and Ward—					
Non-voted	1,17,76,663	1,18,94,213	+1,17,550		+1,17,550
Territorial and Political Pen- sions					
Non-voted	32,34,590	31,13,527	—1,21,063	.	—1,21,063
Bangalore					
Non-voted	13,56,601	13,29,719	—26,882		—26,882
Western India States Agency—					
Non-voted	14,12,929	13,94,764	—18,165		—18,165
Total { Voted .	19,93,86,600	18,34,10,389	—1,59,86,211	—1,47,74,171	—12,12,040
Non-voted	29,23,40,947	28,39,15,422	84,25,525	.	84,25,625

Number and name of Grant or Appropriation	Final Grant or Appropriation.	Actual Expenditure	Excess+ Saving—	Net re-appropriation or surrender.	Remainder unadjusted + or—
<b>B —EXPENDITURE CHARGED TO CAPITAL</b>					
88 Capital Outlay on Security Printing—					
Voted ..	1,000	3,81,991	—3,82,991	.	3,82,991
89 Forest Capital Outlay—					
Voted .	1,000	..	—1,000	.	—1,000
90 Irrigation Works—Not charged to Revenue					
Voted	64,000	8,019	—55,981	—50,000	—5,981
Non-voted	1,000	727	—273		—273
93 Capital Outlay on Currency Note Press—					
Voted	5,000	—5,843	—10,843	1,000	6,843
94 Capital Outlay on Vizagapatam Harbour—					
Voted	43,15,000	36,46,040	6,68,960		6,68,960
Non-voted	3,000	2,327	—673	.	—673
95 Capital Outlay on Lighthouses and Lightships—					
Voted	1,000		—1,000		—1,000
96 Commuted value of Pensions—					
Voted	29,90,000	29,38,826	51,174	—2,07,000	+1,55,826
Non-voted .	12,29,000	12,93,116	+64,116		+64,116
96-A Expenditure on Retrenched personnel charged to Capital—					
Voted		1,42,779	+1,42,779		+1,42,779
Non-voted	.	2,708	+2,708		+2,708
97 Delhi Capital Outlay—					
Voted .	21,63,000	11,61,141	—10,01,859	—14,55,969	+4,54,110
Non-voted	3,12,200	2,99,522	—12,678	.	—12,678
Total { Voted .	95,40,000	75,08,971	—20,31,029	—17,16,969	—3,14,060
Non-voted .	15,45,200	15,98,400	+53,200	.	+53,200

Number and name of Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Excess + Saving—	Net re-appropriation or surrender	Remainder unadjusted + or—
<b>C.—DISBURSEMENTS OF LOANS AND ADVANCES</b>					
98. Interest Free Advances	79,29,000	61,45,927	—17,83,073	—17,36,000	17,073
99. Loans and Advances bearing Interest	15,14,41,000	13,60,00,913	—1,54,40,087	—5,59,000	—1,48,81,087
Total Voted	15,93,70,000	14,21,46,840	—1,72,23,160	—22,95,000	—1,49,28,160
Total Civil	66,21,92,747	61,85,80,022	1,36,12,725	—1,87,86,140	—2,48,26,585
Voted	36,83,06,600	33,30,66,200	—3,52,40,400	—1,87,86,140	—1,64,54,260
Non-voted	29,38,86,147	28,55,13,822	—83,72,325	.	—83,72,325



Number and name of Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Excess+ Saving—	Net re-appropriation or surrender	Remainder unadjusted + or — .	
PART II —POSTS AND TELEGRAPHS						
A.—EXPENDITURE CHARGED TO REVENUE.						
23. Indian Posts and Tele- graphs Department—						
Voted	11,47,94,000	10,81,28,340	—66,65,660	—36,67,260	—29,98,400	
Non-voted	1,02,96,060	92,74,439	—10,21,621		—10,21,621	
24 Indo-European Telegraph Department—						
Voted .	1,000	—68,47,239	68,48,239	1,11,000	—64,37,239	
Non-voted	5,57,000	5,51,780	5,220		—5,220	
Total	Voted	11,47,95,000	10,12,81,101	—1,35,13,899	10,78,260	—94,35,639
	Non-voted	1,08,53,060	98,26,219	—10,26,841		—10,26,841
B.—EXPENDITURE CHARGED TO CAPITAL						
91 Capital Outlay on Indian Posts and Telegraphs De- partment—						
Voted	33,09,000	29,92,254	—3,16,746	1,99,000	+1,82,254	
Non-voted	4,000	3,098	—902		—902	
92 Capital Outlay on Indo- European Telegraph De- partment—						
Voted	58,17,000	58,06,953	—10,047	—8,000	—2,047	
Non-voted	—12,000	—10,429	+1,571		+1,571	
Total	Voted	91,26,000	87,99,207	—3,26,793	—5,07,000	+1,80,207
	Non-voted	—8,000	—7,331	+669	.	+669
Total Posts and Telegraphs						
	13,47,66,060	11,98,99,196	—1,48,66,864	15,85,260	—1,02,81,604	
—						
Voted .	12,39,21,000	11,00,80,308	—1,38,40,692	15,85,260	—92,55,432	
Non-voted	1,08,45,060	98,18,888	—10,26,172	.	—10,26,172	

Number and name of Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Excess+ Saving—	Net re-appropriation or surrender	Remainder unadjusted + or —
PART II —RAILWAYS					
A —EXPENDITURE CHARGED TO REVENUE.					
1 Revenue Railway Board—					
Voted .	10,49,900	10,26,395	—23,505	.	—23,505
Non-voted .	4,35,000	4,38,746	+ 3,746		+ 3,746
2 Revenue Inspection—					
Voted	90,000	79,613	—10,387	.	—10,387
Non-voted	2,99,000	2,96,136	—2,864	..	—2,864
3 Revenue Audit—					
Voted	14,20,000	13,78,219	11,781	..	11,781
Non-voted	5,35,000	5,33,530	—1,470	..	—1,470
4 Revenue—Working Ex- penses—Administration—					
Voted ..	13,00,00,000	12,99,78,156	—21,844		—21,844
Non-voted	1,09,43,000	1,07,82,410	—1,60,590		—1,60,590
5. Revenue Repairs and Maintenance and Opera- tion—					
Voted . .	37,54,00,000	33,94,58,668	—3,59,41,332	..	—3,59,41,332
Non-voted	1,20,000	1,29,473	+ 9,473	..	+ 9,473
6 Revenue Companies and Indian States' share of sur- plus profits and net earn- ing—					
Voted . .	82,75,000	64,18,868	—18,56,132	..	—18,56,132
9 Revenue Appropriation to Depreciation Fund—					
Voted . .	13,00,00,000	13,03,49,498	+ 3,49,498	.	+ 3,49,498
10 Revenue — Appropriation from Depreciation Fund—					
Voted . .	12,77,02,000	12,52,12,361	—24,89,639	.	—24,89,639
11 Revenue—Miscellaneous—					
Voted .	11,00,000	3,38,000	—7,62,000	.	—7,62,000
Non-voted	10,43,000	9,96,945	46,055	.	46,055
12 Revenue—Appropriation to the Reserve Fund—					
Voted .. ..	...	..	..	..	..

Number and name of Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure.	Excess+ Saving—	Net re appropriation or surrender.	Remainder unadjusted + or—
13 Revenue—Appropriation from the Reserve Fund—					
Voted	4,95,06,000	4,95,06,000		.	.
14 Revenue—Strategic Lines					
Voted	1,97,50,000	1,80,12,713	—17,37,287		—17,37,287
<i>Non voted</i>	5,28,000	5,50,958	+22,958	.	+22,958
State Railway Revenue—In- terest charges—					
1 Interest on Debt—					
<i>Non-voted</i>	31,90,19,000	31,75,49,841	—14,69,159	.	—11,69,159
2 Interest on Capital contributed by Companies—					
<i>Non voted</i>	1,37,90,000	1,31,13,756	—6,76,244		—6,76,244
Total { Voted	84,42,92,900	80,17,58,491	1,25,34,409	.	1,25,34,409
<i>Non-voted</i>	34,67,12,000	34,43,91,795	—23,20,205	.	—23,20,205
B.—EXPENDITURE CHARGED TO CAPITAL.					
7. Capital—New construc- tion—					
Voted ..	2,86,80,000	2,75,86,721	—10,93,279	.	—10,93,279
<i>Non-voted</i>	2,81,000	2,72,226	—8,774	..	—8,774
8. Capital—Open line works					
Voted .	8,38,40,000	3,98,92,746	1,39,47,254	..	1,39,47,254
<i>Non-voted</i>	1,30,000	1,33,463	+3,463	..	+3,463
15. Capital—Strategic Lines—					
Voted .	17,00,000	—3,22,861	—20,22,861	..	—20,22,861
<i>Non-voted</i>		1,168	+1,168	..	+1,168
Total { Voted	11,42,20,000	6,71,56,606	1,70,63,394	..	1,70,63,394
<i>Non-voted</i>	4,11,000	4,06,857	1,143	..	1,143
Total Railways	1,30,56,35,900	1,21,37,13,749	—9,19,22,151	..	—9,19,22,151
Voted ..	95,85,12,900	86,89,15,097	—8,95,97,803	.	—8,95,97,803
<i>Non-voted</i>	34,71,23,000	34,47,98,652	—23,24,348	..	—23,24,348

Number and name of Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure.	Excess+ Saving—	Net re-appropriation or surrender.	Remainder unadjusted + or—
<b>PART IV —MILITARY</b>					
<b>A.—EXPENDITURE CHARGED TO REVENUE.</b>					
<b>Army—</b>					
<i>India ..</i>	38,32,42,000	37,72,35,000	—60,07,000	.	60,07,000
<i>England</i>	11,83,22,000	11,80,29,000	—2,93,000	.	—2,93,000
<b>Marine</b>					
<i>India .</i>	43,47,000	43,43,000	4,000		4,000
<i>England</i>	29,07,000	28,47,000	—60,000		60,000
<b>Military Engineer Services—</b>					
<i>India</i>	4,56,79,000	4,56,29,000	—50,000		—50,000
<i>England</i>	4,96,000	4,68,000	—28,000		—28,000
<b>Transfers to Military Reserve Fund</b>	30,73,000	1,03,23,000	+72,50,000		+72,50,000
<b>Total Military—</b>					
<i>Non-voted ..</i>	55,80,66,000	55,88,74,000	+8,08,000		+8,08,000
<b>GRAND TOTAL ..</b>	2,66,06,60,707	2,51,10,66,967	—14,95,93,740	—2,33,71,400	—12,62,22,340
<i>Voted ..</i>	1,45,07,40,500	1,31,20,61,605	—13,86,78,895	—2,33,71,400	—11,53,07,495
<i>Non-voted ..</i>	1,20,99,20,207	1,19,90,05,362	—1,09,14,845		—1,09,14,845



## APPENDIX III.

Letter from A. C. Badenoch, Esq., C.I.E., I.C.S., Offg. Auditor General in India, to the Secretary to the Government of India, Finance Department, No. T.-341-Rep /1 33, dated the 5th June 1933

SUBJECT *Appropriation Accounts of the Central Government (Civil) for the year 1931-32, and the Report thereon of the Accountant General, Central Revenues*

## INTRODUCTORY

1 *General* In accordance with the provisions of rule 15(1) of the Auditor General's Rules framed under Section 96D(1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Accounts of the Central Government (Civil) for the year 1931-32 and the Report thereon of the Accountant General, Central Revenues, together with two copies of the Commercial Appendix to these documents prepared by the Accountant General, Central Revenues, for submission to the Public Accounts Committee and for necessary action by the Government of India. The documents deal with Central Civil transactions (excluding those relating to Railways and Posts and Telegraphs) booked and audited not only by the Accountant General, Central Revenues, but also by other accounts and audit officers.

2 Two copies of the accounts of receipts and disbursements of the Secretary of State and the High Commissioner for India, on behalf of the Central Government, under the heads other than those relating to Military Services, for the year 1931-32, together with two copies of the relevant Appropriation Accounts and the reports thereon prepared by the Auditor, Indian Home Accounts, are also forwarded herewith.

3 I also append a consolidated statement (\*Statement "A") of all Central Voted Grants and Non-voted Appropriations for the year 1931-32, the expenditure incurred against them and the variations between the two. Further statements (Statements "B" and "C") show the excesses over "Voted" Grants and "Non-voted" Appropriations, which require the vote of the Legislative Assembly, and the sanction of the Finance Department of the Government of India, respectively. I have included in these statements the details relating to the Railway grants and Appropriations despite the fact that the Railway Appropriation Accounts are now being examined at a separate session of the Public Accounts Committee and the recommendations relating to these accounts are being embodied in a separate part of the Public Accounts Committee's Report. This course has been followed as it is assumed that the Public Accounts Committee would prefer that complete information of the kind included in these statements should be exhibited in one series of statements.

\* Not printed here.

4 Attention is invited to paragraph 10 of the Accountant General's Report in which a reference has been made to a specific plan recently prescribed by Sir Ernest Burdon for the purpose of ensuring that all relevant information is given within reasonable compass and in a clear form which will enable a full and correct appreciation of the efficiency of the financial administration to be readily framed. The effect of the changes should be to make the Accountant General's Report self-contained and comprehensive thus minimising the need for duplicating comment by the Auditor General. The Report of the Accountant General, Central Revenues cannot however fully conform to Sir Ernest Burdon's plan which is intended primarily for the guidance of provincial Accountants General. In the present report the process of adaptation has been commenced and some further changes will be made by the Accountant General in the report on the Appropriation Accounts for 1932-33 to bring it more into line with the prescribed model. In paragraph 39 of his Report the Accountant General continues a useful practice of directing attention to those important comments appended to the Appropriation Accounts of grants which he considers particularly to merit it. I shall ask the Accountant General in future to arrange these notes according to the order of the administering departments of the Government of India adopted in the Auditor General's comments so that reference may be made to the notes simultaneously with reference to the Auditor General's letter. In the present letter I have incorporated references to the various sub-paragraphs of paragraph 39 in my comments under the various departments. In most cases I should in any case have directed attention to the points to which the Accountant General has referred and in some cases I have added a supplementary comment.

5 The Accountant General has been successful in confining the bulk of the main report to the size of last year's issue, but the volume of the Commercial Appendix has increased considerably. The growth of the Commercial Appendix is due partly to the transfer to it of some accounts formerly contained in the main report, *e.g.*, those relating to the Fruit Farm at Quetta and to the Government of India Presses but the bulk will be reduced next year by the removal of the Mint Accounts which are not in future to be maintained in the present Commercial form (*vide* Commercial Appendix Paragraph 60-A) and the accounts of the Indian State Air Service and of the Anand Creamery, concerns which have been closed down. The volume of the present Commercial Appendix is rather unnecessarily large as a few of the reviews are unduly lengthy. The review of the Indian State Broadcasting service for instance could with advantage, be greatly reduced.

6 The Appropriation Accounts and the Report of the Accountant General, Central Revenues, together with the Appendix containing the Commercial Accounts have, as usual, been subjected to a detailed examination in my office and have been found generally to be in order. I proceed to draw attention to those matters appearing in the Accounts or the Report to which the examination of the Public Accounts Committee should, in my opinion, be specially directed.

7 *Outstanding Questions* The Public Accounts Committee will, as usual, examine the list of questions outstanding from previous discussions. No outstanding item has been included in the Accountant General's Report.

8 *Finance Department General Remarks Accuracy of budgeting, control over expenditure, etc.* In paragraph 32 of his Report the Accountant General has explained the special circumstances of the year 1931-32 which rendered accurate estimating and efficient control of expenditure difficult. Further as explained in paragraph 33 of the Report the confusion caused by the amalgamation of certain account and audit offices has for the time being reacted adversely on the efficiency of the accounting organisation so that actually one non-voted excess is due to an accounting error. Although the accounts of the year 1932-33 may still disclose some mistakes due to the same cause, steps are being taken to correct the faults in organisation where they have been found. These faults are partly a legacy from the old separated accounting offices and partly a result of the amalgamation.

Although the number of excesses over grants and appropriations is slightly greater than that of the previous year, and despite the adverse comments which the Accountant General has recorded in various places in the Appropriation Accounts, I agree with the view recorded in paragraph 32 that the conditions of the year 1931-32 were such that no safe conclusion can be reached regarding the standard of estimating and with the opinion expressed in paragraph 36 that there was no marked deterioration in control over expenditure. The number of supplementary demands made in 1931-32 where no supplementary demand was necessary is shown in paragraph 25 to be only 3 compared with 6 in 1930-31, and doubtless a further improvement will result in future years in consequence of the recommendation made in paragraph 19 of Part I of the Report of the Public Accounts Committee on the accounts of 1930-31.

In paragraph 37 of his Report the Accountant General gives figures up to 1930-31 showing the savings on Pay of Establishment as a percentage of the original appropriation. Similar figures for 1931-32 have been compiled by the Accountant General and are exhibited below.

Appropriation.	Actuals	Savings	Percentage
6,07	5,62	45	7 4

The percentage of saving is abnormally high as compared with the preceding five years, and this is attributed to the exceptional circumstances of the year cuts in pay and retrenchment.

9 *Financial Irregularities* The financial irregularities reported by the Accountant General will be found in the important comments appended to the various Appropriation Accounts of Grants. The irregularities noticed in the Report are neither very serious nor do they



involve any considerable amounts. The disciplinary and remedial action taken in connection with these irregularities has generally been adequate.

10 *Leave Salaries* I observe that no fewer than four of the sixteen non-voted excesses have been caused by the adjustment of unanticipated debits of leave salaries. It cannot be denied that the rules prescribing the distribution of leave salaries between various Governments and departments introduce a disturbing element into the control of expenditure. Ordinarily the provision for leave salaries is large enough to absorb these belated adjustments and it might perhaps be premature to take any special action on the present cases. On the other hand if much closer estimating under pay units is achieved it may have to be considered whether some system of advance intimation in connection with such adjustments is not necessary.

11 *Commercial Audit* In his letter transmitting the Appropriation Accounts of the Central Government for 1930-31 Sir Ernest Burdon explained that although a separate Commercial Audit Branch had been abolished the work of the branch continued with a decentralised organisation and he assured the Public Accounts Committee that they would continue to receive information regarding the results of Commercial Audit to the extent and in the form which the Committee is known to desire. The Commercial Appendix for the year 1931-32 has been compiled by the Accountant General, Central Revenues under the new conditions, it is presented in exactly the same form in which it was prepared by the Director of Commercial Audit in previous years, and there is, I suggest, no deterioration in the quality of the information contributed by the several audit officers concerned in respect of the accounts of the undertakings for whose audit they were responsible.

Attention will be directed later on in this letter to particular points in connection with individual accounts included in the Appendix. At this point I invite the attention to paragraphs 22 to 29 of the Appendix which contain a comprehensive review of the financial results of all the Central Government Commercial concerns, and indicate in a clear form and comparatively brief compass the special features of the accounts of these concerns. In general it may be said that the results of the year are not any worse than the prevailing financial conditions would give reason to expect. It should be remembered that Government commercial undertakings are frequently compelled to retain an expert staff against the time when they will be more fully occupied and that consequently a diminished turnover may lead to much more than proportionate decrease in profit or increase in loss.

## FINANCE DEPARTMENT OTHER COMMENTS

12 *Commercial Appendix—Chapter II Finance Department concerns* Last year the Public Accounts Committee raised the question whether the balances of stocks and stores in the various commercial concerns under the control of the Finance Department could not be

reduced, *vide* paragraph 10 on page 44 of Volume I, Part I of the Public Accounts Committee's Report on the accounts of 1930-31. I note that in the case of the Bombay Mint and the Currency Note Press the balances on 31st March 1932 are actually greater than those at the beginning of the year, while in the case of the Security Press and the Calcutta Mint although there is reduction in stocks, the closing balance is disproportionately high in terms of issues. The Public Accounts Committee will probably desire to have the latest information regarding the balances of stock in these concerns and further comments of the Finance Department on the possibility of reducing the balances.

13 *Grant No. 17 Taxes on Income—page 33* A criticism of general importance is contained in the last sentence of note 2 under this grant, and I suggest that the Public Accounts Committee obtain the views of the Finance Department on the comment made by the Accountant General.

14 *Grant No. 72—Mint page 180, note 1* In view of the fact that the supplementary grants under sub-heads D and E were obtained as late as February 1932 and proved so excessive, it will be of interest to know more about the method of estimating expenditure under these sub-heads. The explanation of these large savings furnished in the note does not appear to be convincing.

15 *Grant No. 76-A Expenditure on Retrenched personnel charged to Revenue page 231 and Grant No. 96-A—Expenditure on Retrenched personnel charged to Capital page 373* I invite a reference to paragraph 28 of the Accountant General's Report. The expenditure against these grants must have been known to be inevitable before the close of the year and even though it may have been difficult to make an accurate forecast of the amount required it is for consideration whether there were adequate grounds for not presenting supplementary demands for these services during the course of the year.

16 *Grant No. 99 Loans and Advances bearing interest page 383* I desire to direct special attention to the new paragraph added to the important comments under this grant on the subject of the loan to the Bahawalpur Durbar. Doubtless the Public Accounts Committee will desire to have from Government a further statement of the position in continuation of that made in 1931, *vide* paragraph 35 of the Report of the Public Accounts Committee on the accounts for 1929-30.

17 Part of (a) and (i) of paragraph 39 of the Accountant General's Report refer to matters that should be considered in connection with this section of my letter.

## FINANCE DEPARTMENT CENTRAL BOARD OF REVENUE

18 *Grant No. 18 Salt—Stores Accounts for 1931-32 pages 40-42* I desire to invite the attention of the Public Accounts Committee to the Accountant General's observations in connection with Salt stocks. The accumulations of Salt in Burma appear to be very far in

excess of requirements, the issues for the year 1931-32 being only 744 maunds against a stock of 15,426 maunds. Again in reviewing stocks of salt at Kuda, the Accountant General observes that of the closing book balance of 3,03,378 maunds, 2,11,813 maunds were written-off as it was found that the heap contained 91,565 maunds only on its removal for sale. It is suggested that the figures in both cases require some explanation.

The policy and requirements in connection with the verification of stocks of Salt do not appear to be uniform in the various areas. While in Madras and Burma stocks are regularly verified and the stock accounts are certified to by the Accountant General, in Bombay the actual amount of salt manufactured is verified in some cases, but there appears to be no general policy of stock verification. Some explanation of the circumstances appears to be necessary as presumably the reasons for the failure to verify the stock in Sind might apply equally elsewhere.

19 *Grant No 77 Refunds Important comments pages 235 to 236* The Accountant General has drawn special attention to these comments in paragraph 39(j). The Committee will probably note with satisfaction the steps taken to improve control over expenditure under the sub-heads A Customs and B Taxes on Income.

## HOME DEPARTMENT

20 *Grant No 80 Delhi* The comments in the second paragraph of the notes on page 285 indicate that there is some deficiency in the current control of expenditure under this grant. This may be explained as due partly to the repercussions of the recent amalgamation of offices of audit and accounts. The first paragraph however of the important comments gives a specific instance of failure of control amounting to an irregularity. The delay in formulating a proper scheme for calculating grants-in-aid in connection with Compulsory Primary Education and the delay in obtaining the requisite sanction to grants-in-aid already paid appear to be unsatisfactory features of the financial administration in the Delhi Province. The Accountant General has made special reference to these points in paragraph 39(m).

21 *Commercial Appendix Home Department Concerns pages 214 to 245* The Accountant General has recorded suitable comments about the financial results of the Andamans concerns in paragraphs 28 and 29 of the Appendix, and no further remarks by me are required. With regard to paragraph 385 of the Appendix the Public Accounts Committee will doubtless desire to know the results of the wider enquiry regarding the possibility of reducing charter rates by competition.

## FOREIGN AND POLITICAL DEPARTMENT

22 *Frontier Watch and Ward pages 341 to 347 and paragraph 39(e)* A study of columns 5 and 6 of the Appropriation Accounts indicates that current control under this appropriation might be improved.

The reasons given in the important comments for the two largest excesses under sub-heads may be valid, but there are other errors in making reappropriations which might apparently have been avoidable if there had been a proper knowledge of the progress of actuals and of probable further expenditure

23 The Accountant General's references in (d), (k) and (l) of paragraph 39 fall to be considered under this section

## DEPARTMENT OF INDUSTRIES AND LABOUR

24 *Grant No 73- Civil Works page 191 Statement of expenditure on important new works* In certain cases included in this statement, for example, items 3 to 6 the budget provision appears to have been made considerably in excess of the amount required to complete the work. Some explanation of the figures given against these items appears to be necessary, as without an explanation the inference which might be drawn is that the unspent balance of the estimated cost of works is provided in the budget irrespective of the actual amount required

In (b), (c) and (h) of paragraph 39 the Accountant General directs special attention to matters discussed in his important comments under this grant

25 *Grant No 70 Indian Stores Department pages 171 174* The Profit and Loss Account of the Indian Stores Department has been supplemented by a financial review prepared by the Chief Controller of Stores according to the suggestion made by Sir Ernest Burdon in his last year's letter. The review is an interesting one, paragraphs 7-9 being specially suggestive when considered in connection with the policy accepted at present that the Indian Stores Department should be self-supporting. It may interest the Public Accounts Committee to know, and it will serve to emphasise the remarks made in paragraph 9 of the Controller's review, that cases were brought to the notice of a Provincial Public Accounts Committee of loss to the Provincial Government owing to Engineers having placed their contracts in the market at rates much less favourable than had already been arranged by the Indian Stores Department

26 *Grant No 75 Stationery and Printing and Commercial Appendix pages 268 to 276—Government of India Presses* Sir Ernest Burdon explained to the Committee last year that he was not satisfied with the form of Trading Accounts previously appended to this grant. The portion of the Appendix mentioned above substitutes an explanation and substantially modified accounts for those previously given. It is expected that in future a financial review prepared by the Controller of Printing and Stationery will also be included in the Appendix. It is hoped that the Committee will have by this means, all the information they require in a more intelligible form,

In connection with the accounts of the Central Publication Branch pages 272-276 of the Appendix the Public Accounts Committee may desire to enquire why dues of such a large amount as Rs 60,636 relating to 1928-29 and previous years are outstanding and what action is being taken to recover them

27 *Grant No 97 Delhi Capital Outlay* The Accountant General in paragraph 39(f) invites attention to a statement of expenditure against the estimates relating to the construction of New Delhi

## DEPARTMENT OF EDUCATION, HEALTH AND LANDS

28 *Commercial Appendix Map Record and Issue Office, Calcutta—pages 102 and 103* The comment in paragraph 187 brings to notice an important defect in organisation. Attention is invited to the suggestion made in paragraph 189 that there appears to be some considerable scope for economy in the curtailment of the list of free issues

29 *Grant No 51 Botanical Survey pages 112 to 115* I may state for the information of the Public Accounts Committee in connection with paragraph 14 Item 15 on page 45 of last year's Report that certain minor improvements in the accounts at Mungpoo have been proposed by Government and accepted by me. I have also asked the Accountant General, Bengal, to satisfy himself that the methods of accounting, costing and adjustment are such as to secure a fair distribution of the charges of quinine manufacture between the Bengal and Central Governments, this appears to be as much as can be achieved in the present circumstances

30 *Grant No 53 Archaeology pages 117 120* The Accountant General in paragraph 39(g) directs attention to the important comment under this grant

31 *Commercial Appendix Research Institute Muktesar pages 158 to 173* The Committee will doubtless be interested to know whether any decision has been reached on the question mentioned in paragraph 302 regarding the revision of selling prices of the serum produced by the Institute

## COMMERCE DEPARTMENT

32 *Commercial Appendix Bengal Pilot Service pages 198 to 204* (a) The review reproduced here appears not to be the type of review that the Public Accounts Committee require. Some picture of the conditions which have led to the loss occurring under Bengal Pilot Service should have been given with some estimate of the chances of achieving financial equilibrium

(b) Attention is invited to paragraph 350. It will be of interest to know whether the accounts of stores on board the Pilot Vessel "Lady Fraser" are now properly maintained.

## RAILWAY DEPARTMENT.

33 *Grant No 94 Capital Outlay on Vizagapatam Harbour* A large sum of Rs 6,39,900 has been shown at the end of the account on page 365 as undistributed. Some explanation should be forthcoming of the reason why this amount could not be surrendered to the Finance Department, since the eventual saving under the grant was Rs 6,68,960.

## CONCLUSION GENERAL REMARKS

34 *Provincial Overdrafts* Following the example of the letters of the previous three years I attach a statement giving particulars of the overdrafts on current account taken by Provincial Governments at the expense of the Central Government. A comparison of the corresponding figures for 1932-33 so far available with those of 1931-32 shows that a marked improvement in the general position has occurred, the highest net overdraft being Rs 35 crores (October 1932) in the former year against a net overdraft of over Rs 10 crores in the latter. This is due to a betterment in the financial position of the several Provincial Governments except those of Bengal and Assam which, viewed from this point of view, show a deterioration. The improvement in the year 1932-33 seems to have been foreshadowed earlier, as there was a large saving under sub-head A-1 of Grant No 99 "Loans and Advances bearing interest" for the year 1931-32 which resulted from the fact that actual overdrafts of certain Provincial Governments at the close of 1931-32 were less than anticipated. The improvement is presumably a consequence of the strenuous efforts being made by Provincial Governments to better their financial position.

35 *Financial Position and Financial Administration* For the reasons explained in paragraph 29 of Sir Ernest Burdon's letter transmitting the 1930-31 accounts I make no attempt to discuss the financial position of the Central Government.

My conclusions regarding the financial administration are that proper allowance must be made for the disturbing circumstances of the year and that if such allowance be made no deterioration in the standard of efficiency need be considered to have occurred.

## STATEMENT B (Paragraph 3).

(1931-32 )

Statement showing the excesses over Voted Grants which require the vote of the Legislature

Item No	Name of Grant	Final Grant	Actual Expenditure	Excess requiring the vote of the Legislature
		Rs	Rs	Rs
1	20 —Stamps	2,000	7,762	5,762
2	26 —Interest on Miscellaneous obligations	47,78,000	48,90,238	1,12,238
3	74 —Superannuation Allowances and Pensions	46,98,000	56,60,750	9,62,750
4	76-A —Expenditure on Retrenched personnel charged to Revenue		2,69,155	2,69,155
5	77 —Refunds	84,43,000	90,31,307	5,88,307
6	80 —Delhi	43,69,000	44,74,697	1,05,697
7	96-A —Expenditure on Retrenched personnel charged to capital		1,42,779	1,42,779
8	9 —Revenue Appropriation to Depreciation Fund—Commercial	13,00,00,000	13,03,49,498	3,49,498

## STATEMENT C (Paragraph 3).

(1931-32.)

Statement showing excesses over Non-voted Appropriations which require the sanction of the Government of India, Finance Department

Item No	Name of Appropriation	Final Appropriation	Actual Expenditure	Excess requiring the sanction of the Government of India.
		Rs	Rs	Rs
1	20 —Stamps	5,145	5,183	38
2	32 —Home Department	13,32,808	13,89,317	56,509
3	40 —Department of Industries and Labour	1,35,084	1,36,865	1,781
4	53 —Archæology	1,55,962	1,69,474	13,512
5	64 —Commercial Intelligence and Statistics	51,163	53,269	2,106
6	66 —Emigration—Internal	10,050	10,082	32
7	68 Joint Stock Companies	31,483	31,556	73
8	75 —Stationery and Printing	77,923	79,944	2,021
9	76 —Miscellaneous	31,57,234	31,62,318	5,084
10	76-A —Expenditure on Retrenched personnel charged to Revenue		14,126	14,126
11	81 —Ajmer-Merwara	1,17,760	1,17,977	217
12	82 —Andamans and Nicobar Islands	2,05,755	2,18,678	12,923
13	84 —Central India	7,09,311	7,19,798	10,487
14	Frontier Watch and Ward	1,17,76,663	1,18,94,213	1,17,550
15	96 —Commuted Value of Pensions	12,29,000	12,93,116	64,116
16	96-A —Expenditure on Retrenched personnel charged to Capital		2,708	2,708
17	92 —Capital outlay on Indo-European Telegraph Department—(not charged to Revenue)	—12,000	—10,429	1,571*
18	1 —Revenue Railway Board	4,25,000	4,38,746	3,746
19	5 —Revenue Repairs and Maintenance and Operation	1,20,000	1,29,473	9,473
20	8.—Capital—Open Line Works	1,30,000	1,33,463	3,463
21	14 —Revenue Strategic Lines	5,28,000	5,50,958	22,958
22	15 —Capital—Strategic Lines		1,168	1,168
23	Transferred to Military Reserve Fund	30,73,000	1,03,23,000	72,50,000



# STATEMENT D (Paragraph 34).

Statement showing the monthly balances of the various Provincial Governments.

(In thousands of rupees Figures with a minus sign before them represent overdraft)

	Madras	Bombay	Bengal	United Pro- vinces	Punjab	Burma	Bihar and Orissa	Central Pro- vinces	Assam	Total.
1931-32										
1 April	3,15,86	-21,13	34,77	-1,16,00	41,00	61,90	43,41	-15,97	5,69	3,52,53
2. May	3,04,29	-31,81	1,34	-1,63,00	-23,00	86,72	20,59	-30,30	9,91	1,74,74
3 June	2,51,88	-42,41	-13,61	-1,38,00	-71,00	72,22	18,57	-31,32	9,49	55,82
4 July	1,88,57	-72,08	-58,95	-69,00	20,00	1,51	-1,30	-30,98	20,46	1,23
5. August	1,04,16	-1,09,13	-77,11	-22,00	89,00	-56,23	-16,50	-4,50	14,98	-1,17,76
6 September	65,70	-1,14,26	-87,18	-5,00	52,00	-1,04,59	-21,10	-60,31	9,97	-2,65,10
7 October	-13,01	-1,11,50	-1,37,19	1,00	-22,00	-1,50,28	-46,60	-83,32	11,75	-5,81,15
8 November	-87,55	-1,77,79	-1,59,51	-51,00	-71,00	-1,84,21	-51,36	-1,01,01	2,22	-8,81,30
9 December	-1,29,82	-1,83,18	1,99,11	-76,00	-1,18,00	-2,09,80	-60,38	-1,18,91	-6,96	-10,92,19
10 January	.	-32,72	-1,25,31	-1,59,21	-9,00	-89,00	-29,90	-1,18,21	-9,49	-7,91,90
11 February	1,29,01	-29,56	1,82,51	51,00	50,00	-1,89,91	-29,16	-68,65	-13,28	-2,83,36
12 March	.	1,79,51	1	78	10	3,10	13,77	1	18	1,97,49

Statement D (Paragraph 34)—*contd*

	Madras	Bombay	Bengal	United Provinces	Punjab	Burma	Bihar and Orissa	Central Provinces	Assam	North West Frontier Province	Total
1932-33*											
1. April	2,43,07	-34,46	-1,88,72	-1,57,15	40,76	2,42	42,48	-6,17	-19,24	17,81	-59,20
2 May	2,44,55	-28,59	-2,11,44	-1,68,96	-11,85	3,11	29,56	-9,43	-14,07	19,32	-1,47,80
3 June	2,43,33	-25,98	-2,06,61	-60,55	-23,07	-9,69	28,11	-1,34	-16,62	18,69	-53,73
4 July	2,28,14	-26,43	-2,29,84	-2,34	1,11,56	-85,37	3,22	-53	-71	21,19	18,83
5 August	1,92,44	-52,11	-2,65,07	1,03,85	2,00,00	-1,30,62	-9,56	-11,45	-3,54	18,89	42,83
6 September	1,44,79	-74,87	-2,68,10	1,55,13	1,14,27	-1,78,90	-13,73	-27,93	-8,97	17,82	-1 40,49
7 October	77,12	-85,75	-3,05,61	1,52,95	54,50	-2,22,18	-30,54	-50,40	79	47,57	-3,61,55
8 November	25,59	-66,68	-1,36,08	3,16,71	44,31	-1,85,65	-32,08	-71,56	-4,63	39,19	-70,88
9 December	21,71	-66,69	-1,33,05	3,08,82	14,85	-2,07,39	-38,20	-82,16	-8,72	38,55	-1,52,28
10 January	1,22,61	-17,21	-99,49	1,03,28	67,95	-2,08,03	-9,06	-67,24	-10,47	55,18	-62,48
11 February	3,22,62	71,84	-1,37,06	1,54,28	1,98,95	-2,00,38	-2,99	7,15	-9,18	52,32	4,57,55
12 March (Preliminary)	3,47,58	1,43,16	-1,05,12	-1,10,53	90,59	-1,03,31	19,00	73,52	-9,64	29,27	3,74,52

The accounts for the year being still open, the figures may require certain readjustments when the final balances are made up

## APPENDIX IV.

Letter from Sir Ernest Burdon, Kt., C.S.I., C.I.E., I.C.S. Auditor General in India, to the Secretary to the Government of India, Finance Department, No. T-45-Rep.-6-33, dated the 24th April 1933

SUBJECT *Appropriation Accounts of the Posts and Telegraphs Department for 1931-32 and the report thereon of the Accountant General, Posts and Telegraphs*

With reference to rule 15 (1) of the Auditor General's Rules, framed under Section 96 D(1) of the Government of India Act, I have the honour to transmit herewith, for submission to the Committee on Public Accounts, and for necessary action by the Government of India, two copies of the Appropriation Accounts of the Posts and Telegraphs Department for the year 1931-32 and the report thereon of the Accountant General, Posts and Telegraphs

2 The Accounts and the report have, as usual, been subjected to a detailed examination in my office. I have satisfied myself that the Appropriation Accounts are in order and that the report contains all the information necessary for the purposes of the Public Accounts Committee. As is now usual, I will confine my own observations to a few general reflections and a few points of special importance.

3 In paragraph 2 of his report the Accountant General refers to a change which he has made in the arrangement of the subject matter of the report. I shall be glad to know if the Public Accounts Committee approves the new arrangement and would like it to be continued.

4 *Financial position* The Accountant General has dealt fully with the financial position of the department, a subject which has engaged the special attention of the Public Accounts Committee for several years past. To summarise the salient features, the year under report (1931-32) was a year in which Postal and Telegraph charges were increased and the expenditure of the department was diminished partly by measures of retrenchment and partly as a result of adjustments and re-allocations adopted on the recommendations of the Posts and Telegraphs Accounts Enquiry Committee. Nevertheless the Department worked at a loss of Rs 94 lakhs which though less than the loss of Rs 133 lakhs on the working of the previous year is still a very large deficit indeed. Further, the revised estimates of the year 1932-33 and the budget for 1933-34 contain no prospect of the department fulfilling the policy of Government that it shall be self-supporting. So far as the revenue side of the accounts is concerned the situation is due to causes beyond the control of Government and improvement in this respect cannot be expected until trade revives and in general more favourable economic conditions are restored. As regards the expenditure side of the account I observe that certain of the reductions

of expenditure effected in 1931-32 were merely postponements of expenditure which will have to be incurred in subsequent years and that other reductions were either of a temporary nature or relatively small. It seems to me therefore that the financial position of the department particularly on the expenditure side must continue to be regarded as very unsatisfactory. I understand, however, that a further search for real and permanent economies in expenditure has already been instituted and the Public Accounts Committee will doubtless wish to receive information from the departmental authorities regarding this inquiry and its probable results.

Incidentally, the Public Accounts Committee will be interested to observe the very large proportion of past losses of which the department has been relieved as a result of the recommendations of the Posts and Telegraphs Accounts Enquiry Committee, *vide* the table in paragraph 37 of the Accountant General's Report. The cumulative loss to the end of 1930-31, of Rs 229 lakhs has been reduced in this manner by Rs 161 lakhs of which Rs 129 lakhs goes to the credit of the Telegraphs Branch alone. Out of this latter sum Rs 96 lakhs represents losses on Press traffic.

5. *Financial Administration* After making due allowance for the abnormal conditions of the year the Accountant General considers that in budgeting the department still falls short of the standard of accuracy which it may reasonably be expected to attain. Further the Appropriation Accounts and the comments of the Accountant General indicate even more definitely that current control of expenditure continues to be inadequate, and I am constrained once more to raise the question whether the departmental accounts are being efficiently maintained and whether proper use is being made of them and of the figures of the Accountant General's department by the controlling authorities subordinate to the Director General. If desired the Accountant General will be prepared to develop in detail before the Public Accounts Committee the evidence by which he supports his view of this aspect of the financial administration of the department.

6. *Financial Irregularities* The chapter of the report which deals with cases of fraud, financial irregularity, etc., contains no individual item which requires special comment from me. I think, however, that the Public Accounts Committee will find the chapter interesting as a whole, and I must observe that certain of the irregularities reported are of a character which suggest either financial laxity or financial ignorance which can hardly be regarded as venial on the part of responsible officials.

7. *Establishment Charges* Paragraphs 59 and 60 of the report which deal with the cost of establishment employed on Works continue the examination of a subject to which the Public Accounts Committee has devoted special attention in the past two years. It is now accepted that the percentages of the cost of establishment to expenditure on works in the Posts and Telegraphs Department are not comparable with the corresponding percentages recorded in the case of the Public

Works Department But the percentages as calculated by the Accountant General on the present occasion are sufficiently remarkable in themselves to warrant further enquiry by the Public Accounts Committee. I suggest that the Director General may be asked whether he has yet been able to use the figures in question for purposes of control, as was contemplated, and what inferences he himself draws from the figures of the year under report as compared with the figures of previous years

8 *Stores Accounts* I invite special attention to the section of the report which deals with the accounts relating to Stores particularly paragraphs 85, 86 and 96 It is no new criticism that there is a tendency in the department to excessive holding of stores

9 *Rents* Last year I specially brought to notice the delay which has occurred in the assessment and fixation of standard rents for residential buildings and the consequent loss of revenue I have recently received a further report on this subject from the Accountant General which suggests that the position in regard to this matter has not improved About 200 additional buildings have had to be added to the record with the result that the total number of buildings the rent of which has to be assessed has risen to 3,684 I am further informed that the total number of buildings the rent of which has so far been fixed is only 1,045 and not 1,640 as given by the Director General at the last session of the Public Accounts Committee I suggest that the Public Accounts Committee may renew its examination of this matter, obtaining information up to date from the departmental authorities.

## APPENDIX V-A.

Letter from A C Badenoch, Esq., C.I.E., I.C.S., Offg. Auditor General in India, to the Secretary to the Government of India, Finance Department, No T.-380-Rep./5-33, dated the 8th June 1933

SUBJECT *Appropriation Accounts of the Army, Marine and Military Engineer Services for the year 1931-32 and the Report of the Director of Army Audit thereon.*

I have the honour to forward herewith for necessary action, two copies of the Appropriation Accounts of the Army, Marine and Military Engineer Services for the year 1931-32 prepared by the Financial Adviser, Military Finance, together with two copies of the Report thereon prepared by the Director of Army Audit

I also transmit herewith two copies of the accounts of the receipts and disbursements of the Secretary of State and the High Commissioner for India on account of the Central Government, in respect of Military Services, for the year 1931-32, together with two copies of the relevant Appropriation Accounts and the Reports thereon prepared by the Auditor of Indian Home Accounts.

It is understood that these documents will, as usual, be subjected to a preliminary examination by the Military Accounts Committee before being presented to the Public Accounts Committee.

2 *Outstanding questions* - I presume that the Military Accounts Committee will as usual first go through the list of questions outstanding from previous discussions (Appropriation Accounts Appendix A) Incidental references have been made to some of these items in the remarks below but apart from these I have no comment to offer at this stage on the items in the list.

3 *General* The Financial Adviser has again prefixed to the Appropriation Accounts a general review of the accuracy of the estimating and of the financial administration during the year, this review in no way falls short of the very high standard of its predecessors and like them will be found to be "singularly lucid, informative and valuable". The record of the year has been stated with such admirable detachment and, where necessary, frank admission of error, that both the Director of Army Audit and I have been able fully to accept the exposition as a correct and impartial statement. In two cases the Director has been unable to concur in the explanations of variations between expenditure and original appropriation, *vide* paragraph 5 of his report, but, even if the Director's correction be accepted, in neither case is the inaccuracy in the Financial Adviser's explanation serious or indicative of any fault in financial administration.

4 *Budgeting* The following table shows the percentages of variations between actuals of and appropriations for gross and net military expenditure (excluding transfers to or from the Military Reserve Fund) for the year of the report and the previous three years

		Gross expendi- ture	Receipts	Net expendi- ture
1928-29	. .	+ 33	+15	— 47
1929-30	. . .	+ 61	+14	— 24
1930-31	. . .	+ 13	+18 71	— 53
1931-32	. . . .	—2 86	—1 45	—2 98

In paragraphs 6 to 10 of his review the Financial Adviser explains why the actuals of 1931-32 have so largely departed from the original estimates. I consider that the reasons given amply excuse what might be thought to be, purely from the standpoint of estimating, deterioration from the previous high standard, I note also that in the case of voted grants a saving that does not exceed three per cent. of the grant is not reckoned as very serious even when conditions are normal. The most important mistakes in estimating have been examined in paragraph 11 of the review; in the cases discussed in (a) and (b) of that paragraph where the errors may be judged to have been avoidable it is clear that the experience of 1931-32 is likely to lead to greater accuracy in the future in budgeting under the heads affected, and no further comment on my part is necessary.

5 *Financial Control* The variations between the actual expenditure and modified appropriations may generally be taken as a measure of the efficiency of financial control. The following table exhibits the percentage of these variations (excluding transfers to or from the Military Reserve Fund) for the year 1931-32 and the previous three years

		Gross expendi- ture	Receipts	Net expendi- ture
1928-29	. . . .	— 47	— 33	— 47
1929-30	. . . .	+ 02	— 07	+ 03
1930-31	. . . .	+ 86	+6 21	+ 49
1931-32	. . . .	—1 16	+1 99	—1 41

While a saving of 1,62 lakhs in gross expenditure and of about 1,56 lakhs in net expenditure compared with original appropriation may reflect credit on the financial administration in a year when economy is necessary, an increase in the variation between actual expenditure and modified appropriation indicates some diminished success in the control of expenditure. Again, however, due regard being paid to the difficult circumstances of the year, the difference between the gross or net expenditure and the revised appropriation is not such as to call for adverse comment, and the conclusion I have reached from a study of the Financial Adviser's review and of the Appropriation Accounts is that financial control has been very satisfactory. The most important variations under individual sub-heads have been explained in paragraph 15 of the review. I have no remarks to offer regarding (a), (c), (d) and (e) of that paragraph. In connection with (b) I suggest that a revised estimate framed by local authorities in touch with actual conditions should not have been in error by as much as 24 per cent. The fact that the local authorities' revised estimate differed from the original appropriation by only .6 lakhs affords some evidence in favour of a presumption that they adopted the original appropriation, with little qualification, for the revised. It would appear to be necessary to impress on local authorities their responsibilities in connection with such estimates since they are in a much better position than the budgeting authority at Headquarters to forecast requirements for the remainder of the year.

6. *Audit of the Special Programme* In Appendix B to the Appropriation Accounts will be found a statement of estimated expenditure on special programme measures to the end of 1931-32 and information regarding the method of calculation is given in paragraph 72 of the Director's Report. It is satisfactory that in an abnormal year progress, as disclosed in the Appendix, has been made in meeting obligations incurred. Special attention is invited to the remark in paragraph 5 of the Financial Adviser's review that "the Military authorities were in a position to say that when the balance of 3 crores could be made available such would suffice to work off the remaining commitments". Against this liability there is available an amount of Rs 1,41.14 lakhs at credit of the Military Reserve Fund at the end of 1931-32, *vide* paragraph 9 of the report. In last year's report the Director explained that of expenditure amounting to Rs. 5,40,82 (since corrected to Rs. 5,33.48 lakhs) Rs 4,35.55 lakhs had been accepted by audit: the difference between estimated expenditure and expenditure accepted by audit has been reduced to Rs 59.28 lakhs. The position may be accepted as satisfactory. The Director will give the Military Accounts Committee when it meets the latest information available.

7. *Financial Irregularities, etc* In dealing with the cases of financial irregularity which fill 27 of the 41 pages of the Director's Report, it is important to keep in mind the explanation in paragraph 13 that these are the results of the work both of the Military Accounts Department and of the Military Test Audit. The number of irregularities reported is not in itself indicative of any deterioration in the work of the Military Accounts Department or of the other departments, or of the increasing



vigilance of audit. The irregularities have been arranged in this year's report by departments, according to a grouping suggested by Sir Ernest Burdon in his letter transmitting the Appropriation Accounts of 1930-31 and the report thereon.

8 Irregularities are reported mainly in order that the faults that lead to them may be eradicated ; and attempting to generalise I should ascribe the bulk of the irregularities to the following main causes

- (1) Defective rules and orders or defective procedure ;
- (2) Misinterpretation of rules and orders , and
- (3) Lack of supervision or negligence either in the accounting offices or on the part of responsible officers

Causes (1) and (2) are necessarily connected. The Military Accounts Committee have already noticed the difficulty of applying military rules accurately and consistently owing to their complexity, *vide* item 1 of Appendix A, but the present report provides ample evidence that trouble is caused not only by the bulk and complexity of the regulations but also by defects in individual orders. Individual misinterpretations of rules or orders may be due either to laxity or to *bona fide* mistake on the part of the interpreting officer, but neither class of cases, unless the instances are unduly numerous, is indicative of general fault. Mistakes of both these kinds have been reported by the Director [*vide* among others the cases catalogued under paragraph 14(b) of the report] but they are not so important as the instances of more general misinterpretation by a number of authorities responsible for applying or interpreting orders. Cases of the latter type are reported in paragraphs 17, 18, 25, 26, 27, 28, 29, 37, 38 and 46, and although the rules or orders mentioned in these paragraphs are not all of recent date, the impression is given that losses have occurred, not inconsiderable in total amount, owing to unskilful or careless drafting of orders. Two measures appear to be necessary (1) more careful scrutiny by the Finance Branch, in conjunction with the office of the Military Accountant General, of the drafts of proposed rules and (2) the immediate incorporation in the relevant regulations of new orders affecting them, *vide* the Director's remark under defective rules in paragraph 14.

Cases quoted in this report paragraph 23 and in the report of the Auditor of Indian Home Accounts lead to the inference that the procedure for ensuring that claims against other Governments are not overlooked has been defective. It appears to be necessary that the Military Accounts Committee should be satisfied that an effective procedure now exists.

The most serious cases involving laxity of supervision or negligence on the part of responsible officers are those mentioned in paragraphs 33, 35, 36, 41, 56 and 63 of the report. Disciplinary action of a deterrent nature is probably the only method of reducing losses due to careless supervision or negligence, and the Military Accounts Committee might consider how far the action taken in the cases quoted is likely to have the desired effect.

9. Attention is also specially invited to the following :

- (1) Irregularities in Auxiliary and Territorial Force Accounts paragraphs 34 to 36

The best method of securing the proper maintenance of Auxiliary and Territorial Force Accounts is probably that of frequent and careful inspection

- (2) Failure to recover rent and water charges paragraphs 50 to 52.

The most important instance of failure to recover amounts due is that described in paragraph 52, otherwise the cases of failure to recover rents, etc., appear to be individual lapses and do not warrant any general criticism of the work of Military Engineer Services

- (3) Unauthorised expenditure paragraph 53 .

It is particularly important that the type of irregularity illustrated in this paragraph should be eradicated if financial or administrative control is to be a reality.

- (4) Paragraphs 45 and 49 contain reports of cases of some individual, though not of general, significance

10. *Review of Military Engineer Services Expenditure* The Military Accounts Committee will doubtless study with interest the review of expenditure on Military Engineer Services pages 90 to 99 of the Accounts prepared at its own express request. The review is lucid and informative and its value already great will be enhanced when the Financial Adviser is able to incorporate his projected improvements. I agree with reference to paragraph 227 that the year 1931-32 would not prove a fair test of the measures taken to secure conformity with a settled programme of works, it may be expected that the results of the promised scrutiny will be reported in due course when conditions become normal, and only then it will be possible to assess the importance and effect of the general considerations which are stated to lead to departures from a settled budget programme

The comments of the Director of Army Audit on this review appear in paragraphs 65 to 69 of his Report and I have little to add at this stage. I notice that the actual gross expenditure varied from the modified appropriation by only .17 per cent, a very accurate approximation in the case of a Works grant or appropriation. I endorse the Financial Adviser's suggestion in paragraph 235(b) that the present system of the holding of reserves should be reconsidered. I suggest with regard to the statement of the transactions under G Suspense appearing in paragraph 243 that if possible the figures for "Overpayments to Contractors" might be examined annually as they will afford some evidence of executive officers' control and the regularity of their expenditure.

11. *Store Accounts* The figures furnished in Appendix E of the Volume of Appropriation Accounts for 1931-32 for certain classes of stores take the place of the Stock Account previously exhibited. No decision has yet been reached regarding the extent of audit to be applied to stores transactions.

The Military Accounts Committee last year expressed the hope that the report of the Director of Army Audit next year would disclose a more satisfactory position in respect of stock balances *vide* item 3 of Appendix A on page 100 of the Appropriation Accounts. For facility of reference I collect in a statement below some of the information given in various places in the Appropriation Accounts

Name of Department, Concern, etc	Opening balance on 1st April 1931	Closing balance on 31st March 1932	Remarks
	Rs	Rs	
Military Engineer Services	51,84,873	49,60,692	<i>Vide</i> paragraph 243, page 99 of the Appropriation Accounts
Medical Stores Depots	30,44,512	32,19,002	The opening balance is said to be lower than usual. Corresponding balance for 1930-31 was Rs 32,26,860 ( <i>vide</i> paragraph 1 on page 130 of Appropriation Accounts)
Bakeries	33,657	28,911	The stock held on 31st March 1932 is said to be justified ( <i>vide</i> page 141 of Appropriation Accounts)
Butcheries	7,786	9,076	The stock held on 31st March 1932 is said to be justified ( <i>vide</i> page 118 of Appropriation Accounts)
Grass Farms			The closing balance of fodder is said to be in excess of the authorised working stock ( <i>vide</i> paragraph 4 on page 156 of Appropriation Accounts)
Dairy Farms	3,75,247	4,14,026	The increase of Rs 38,779 is said to be justified ( <i>vide</i> paragraph 3 on page 165 of Appropriation Accounts)

The remaining available information will be found in Appendix E page 117, and in Appendix C pages 185 and 186 of the Appropriation Accounts. As far as it is possible to judge from the figures available the improvement in the stock position desired by the Committee has on the whole been achieved.

12 *Trading and Production Accounts* The method of preparation and of exhibition of Trading and Production Accounts of military concerns has not yet reached final shape. Important changes have been introduced into Appendix G which have been explained in general terms in paragraphs 77 and 78 of the Director's report; a further memorandum explaining the position upto date will be presented by the Director to the Military Accounts Committee.

The comments in paragraphs 79 to 97 of the report raise a number of important issues and require careful study. Most of the important points mentioned are at present the subject of discussion with the authorities concerned, and it would be unsuitable for me to make any comment at this stage. I observe, however, in connection with the accounts of the Medical Store Depots and Workshops that when the Auditor's report states that "the profit or loss shown in the accounts cannot be considered to be correct" and that the comparison of the production cost of drugs with market rates, etc., "is not accurate as the production cost has not been correctly calculated" these accounts cannot be accepted as satisfactory. Certain anomalies in connection with these accounts mentioned by Sir Ernest Burdon in paragraph 10 of his last year's letter have not been removed.

13 *Pro-forma account of special expenditure for expansion of Territorial Forces in 1931-32* The Military Accounts Committee will probably desire to have the latest information regarding the settlement of the audit objections mentioned in paragraph 99 and the effect of any changes in the statement found to be necessary.

## APPENDIX V-B.

Letter from A. C. Badenoch, Esq., C.I.E., I.C.S., Offg. Auditor General in India, to the Secretary to the Government of India, Finance Department, No 218-Rep /5-33, dated the 8th July 1933

SUBJECT *Appropriation Accounts of the Army, Marine and Military Engineer Services for the year 1931-32 and the Report of the Director of Army Audit thereon*

In continuation of my letter No T-380-Rep /5-33, dated the 8th June 1933, transmitting copies of above mentioned Accounts and Report, I have the honour to forward herewith for necessary action two copies of Supplement to the Report of the Director of Army Audit on the Appropriation Accounts of the Army, Marine and Military Engineer Services for 1931-32. The Memorandum on Trading and Production Accounts mentioned in paragraph 12 of my letter of the 8th June 1933 cited above has been included in this 'Supplement' as Appendix I

## APPENDIX VI.

Memorandum of doubtful cases of "New Service" appearing in the Accounts for 1931-32, furnished by the Auditor General on the 29th June 1933 with reference to paragraph 31 of the Report of the Public Accounts Committee on the Accounts of 1927-28.

[Printed in the Second Part of the Report of the Public Accounts Committee relating to Railways]

## APPENDIX VII.

Memorandum regarding submission of railway or steamer receipts in support of claims by Government servants and Members of the Legislature in respect of transport of motor cars, horses, etc., furnished by the Finance Department on the 8th December 1932 with reference to paragraph 1 ("Item 8") of the Proceedings of the Public Accounts Committee relating to the Accounts of 1930-31, Part I.

As a result of the discussion of the question whether the members of the Legislative Assembly should invariably furnish original vouchers in support of their claims for transport of motor cars by railway or steamer, the Public Accounts Committee at their meeting held on the 5th December 1931, asked the Auditor General to furnish a note indicating the extent to which it would be necessary to make a rule regarding the production of such vouchers generally applicable and to point out what other analogous cases would arise. The Auditor General furnished a note to the Committee (*vide* Appendix XIX to Public Accounts Committee's Report for 1930-31, Part I) which they considered at their meeting held on the 10th August 1932. The Committee recommended that any change in the procedure should be uniformly applicable both to Government servants and to Members of the Legislature. Amendments have since been issued both to the "Supplementary Rules" applicable to Government servants and to the rules promulgated in the Finance Department Resolution No F-9 XXVII-R I/30, dated the 22nd April 1930 (as amended in November 1931), regulating the grant of travelling and other allowances to the Members of the Indian Legislature so as to make the submission of railway or steamer receipts in support of claims in respect of transport of motor cars, horses, etc., incumbent on Government servants and such Members. In cases where the receipt has been lost or has been surrendered to the railway or steamer authorities without a cash receipt having been obtained in exchange and where the production of a duplicate receipt is likely to involve a disproportionate amount of trouble, discretion has been vested in the audit officer to dispense with the production of the receipt and to accept a certificate to the effect that the amount claimed is not more than the expense actually incurred.

## APPENDIX VIII.

Memorandum regarding improvement in the financial control of the Andamans, furnished by the Finance Department on the 30th December 1932 [vide paragraph 1 ("Item 28") of the Proceedings of the Public Accounts Committee relating to the Accounts of 1930-31, Part I, and item 28 in Appendix I to the Report for that year].

As the Public Accounts Committee is aware the question of improving the financial control of the Andamans has been under consideration for some time, the Auditor General informed the Committee at its meeting held on the 10th August 1932 (page 40 of the Report of the Public Accounts Committee on the Accounts of 1930-31, Part I) that proposals had been made by him in consultation with the Accountant General, Central Revenues, suggesting the appointment of a trained Assistant Accounts Officer as Financial Adviser to the Chief Commissioner, Andamans and drawing up a proper list of his duties and responsibilities. The scheme was estimated to involve a recurring average annual expenditure of about Rs 9,800, the immediate extra cost being Rs 7,100. The Chief Commissioner accepted the scheme but subsequently modified his views as to the desirability of proceeding with it at once. He pointed out that his budget had been reduced from 53 lakhs to 36 lakhs, the reduction to be given effect to in the course of two years, and that over and above the cut in pay, appointments had been reduced, allowances cut and other economies effected, to the extent of Rs 1½ lakhs a year. He was, therefore, of opinion that at such a juncture it was not appropriate to set up a new and expensive establishment which could hardly be claimed to be an absolute necessity. The Chief Commissioner also observed that an officer of the status of Assistant Accounts Officer would not inspire the necessary confidence and that he was averse to having such an officer as his Financial Adviser. Having regard to the fact that there has recently been an improvement in the expenditure control in the Andamans and in view of the present financial stringency, due to which Government is refraining from any avoidable new expenditure which is not immediately productive, it has been decided, after full formal discussion with the Chief Commissioner, to defer the scheme in question for one year.

## APPENDIX IX.

Memorandum regarding action taken by the Government of India on the recommendations of the Posts and Telegraphs Accounts Enquiry Committee, furnished by the Auditor General on the 14th February 1933 with reference to paragraph 65 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1930-31, Part I.

In paragraph 65 of the Proceedings of the Public Accounts Committee which examined the accounts for 1930-31 the Committee accepted my suggestion that I should obtain a complete summary of the recommendations of the Posts and Telegraphs Accounts Enquiry Committee and of the measures the

Government of India have taken or propose to take in connection with each recommendation, and that I should give my considered views on the decisions which have been reached. I have completed my examination of the recommendations of the Posts and Telegraphs Accounts Enquiry Committee and of the decisions taken by the Government of India, and state my conclusions below.

2 I find that most of the decisions taken by the Government of India are financial decisions and are not subject to criticism from the audit point of view. Some minor points raised by the Posts and Telegraphs Accounts Enquiry Committee are still being considered in close consultation with the Accountant General, Posts and Telegraphs, but, in these, no major point of principle is involved and a final settlement may safely be left to the departmental authorities and the Accountant General, Posts and Telegraphs. I have, therefore, no special comments to make on the decisions taken by the Government of India so far on the Posts and Telegraphs Accounts Enquiry Committee's report as a whole.

3 The Government of India have not been able to accept the four recommendations of the Committee mentioned in paragraph 1 of the Memorandum by the Financial Secretary printed as Appendix XXVI to the Public Accounts Committee's Report for 1930-31. Government have accepted the main proposal in the second of these recommendations, viz., that the Posts and Telegraphs Department should be allowed interest each year on its depreciation reserve fund balance at the rate charged on fresh capital outlay of the department for the year, and have rejected only the subsidiary proposal that retrospective effect should be given to this decision. Cogent reasons have been given for the refusal of retrospective effect and I accept this decision. Further, I can see no justification for disputing the decisions on the recommendations numbered as (3) and (4).

4 The first rejected recommendation in that Appendix, namely, that relating to the reconstruction of the Capital Account and Depreciation Reserve is the one in which the Committee is likely to be specially interested and in which I am also particularly concerned. After a careful examination of the whole question in consultation with the Government of India, and after exhaustive discussion of alternative courses of action, I have eventually accepted the following decisions which Government have reached. It is to be remembered that one of the main objects to be achieved in the final scheme is simplification of the perhaps over-elaborate system introduced in 1925, and that a simplified accounting system giving approximately accurate results is to be preferred to accuracy attained at the expense of extreme complication.

- (a) The amount at charge of capital should remain unchanged except for the alteration in the depreciated value of the block account on 1st April 1925 involved in the enhancement of the effective lives of assets as recommended by the Committee,
- (b) Contributions to the depreciation fund based on the Committee's revised "lives" should be made with effect from 1st April 1933 on the straight line method,
- (c) The amount by which the closing balance in the fund on 31st March 1933 falls short of the balance that would have been there had the



contributions from 1st April 1925 been made on the straight line method should be treated as a debt to be repaid to the fund by the Department out of future profits ,

- (d) Excesses of the costs of renewals and replacements over original costs should be charged as fresh capital outlay ,
- (e) The whole cost of renewals and replacements less the amounts referred to in clause (d) should be charged to the Depreciation Reserve ;
- (f) Contributions to the Depreciation Reserve should be made in full irrespective of the financial position of the Department

5 The decision contained in paragraph 4 (e) above involves the most radical departure from the 1925 Scheme and it was only after some hesitation that I accepted it. The 1925 system postulated, as part of the arrangement whereby the Posts and Telegraphs Department opened its commercial accounts with the capital charge of the written-down value of its assets, that the capital account would be written up to its original value from borrowed money as assets were replaced. The arrangement now proposed fixes the capital account at its written-down value (except in so far as costs of renewal exceed original costs) and involves the exhibition of the capital account at a figure less than its real value when the depreciated assets are replaced. It was possible to accept this plan only on the assumption that the Posts and Telegraphs Depreciation Reserve was to be used not only for replacement of assets, but also for amortisation of debt, or rather for avoidance of further debt.

6 It is necessary to provide as an accompaniment of the Government scheme that a *pro forma* account shall be maintained of the approximate amount which has been withdrawn from the Depreciation Reserve for this purpose, and I shall issue orders to the Accountant General, Posts and Telegraphs, to maintain such an account and to review periodically the results disclosed, *i.e.*, he will be in a position to state the amount the Depreciation Reserve Fund has provided for avoidance of debt.

7 It will be clear from what has been stated above that I have accepted all the decisions of Government.

## APPENDIX X.

**Memorandum on the question of printing of publications in excess of requirements and of using the cover of the volume of Assembly Debates as an advertising medium for Government publications, furnished by the Department of Industries and Labour on the 24th February 1933 with reference to paragraph 23 ("Item 57") of the Proceedings of the Public Accounts Committee relating to the Accounts of 1930-31, Part I.**

This memorandum has been prepared with reference to the following observations in paragraph 154 of the Proceedings of the Public Accounts Committee for 1929-30

*Grant No 52 Archaeology*

" 154 The Committee considered the general question of the printing of publications in excess of requirements and requested that a comprehensive note should be prepared showing how far estimates of the number fixed for publication have proved accurate, and whether in any case there have been big surpluses and what action has been taken in regard to them. The Committee thought that the maintenance of a running report of all Government publications, showing the number printed and the number utilised, might furnish useful guidance in connection with future publications. The Committee desired that an enquiry should be made as to whether there was a complete list of all Government publications, and suggested the use of the cover of the volume of Assembly Debates as an advertising medium for Government publications."

I *Estimates of numbers of publications required* The Central Publication Branch is responsible for fixing the number of copies for sale of publications of non-paying Departments only. Paying Departments generally estimate their own requirements, but in their case also, the Central Publication Branch, in the capacity of an advisory department, offers suggestions for reduction in the number of copies to be printed whenever such a course is justified by a comparison with publications of a similar nature which have been printed and issued in the past.

Publications of the Government of India, for which the Central Publication Branch is directly responsible in so far as the fixing of the number of copies to be printed is concerned, fall under the following three categories

- (i) Periodicals,
- (ii) Departmental publications, and
- (iii) Scientific works, such as Records and Memoirs of the Geological Survey of India, Archaeological Memoirs, Forest Pamphlets and Bulletins, etc

In the case of (i) periodicals, the demands for copies of each issue remain more or less stable and the task of estimating the number of copies to be printed thus becomes simple. Since the reorganisation of the Central Publication Branch wastage due to printing of publications in excess of requirements under this category has been reduced to the minimum.

Under category (ii) publications of the Government of India, such as Manuals, Codes, Regulations, Rules, Reports, Books, etc., of special interest to the public, etc., etc., are included. In fixing the number of copies of these publications required for sale, the nature and subject-matter very often serve as a guide but it is not always possible to estimate demands with any degree of precision due to no reliable data being available.

As regards item (iii), owing to the heavy cost of reprinting scientific works on account of plates and diagrams embodied in them, coupled with the fact that the subject-matter is of permanent interest to the public, no variation is made in the number fixed for printing in respect of these publications. Publications on Research, Commercial, Agricultural, Statistical and other allied subjects are also included in this category. Print orders for these

publications are based on a critical comparison with the number of copies printed and the stock balances of publications on kindred subjects issued in the past

An examination of the number of copies printed, sold and the balance in stock on 31st March 1932, in respect of all publications of non-paying departments printed during the year 1930-31, shows that although in a few cases there is an excess in stock balance which is due to uncertainty of the interest which such books are likely to arouse, on the whole, the Central Publication Branch, in those cases where it has had the responsibility of fixing the numbers, has been reasonably accurate in its forecasts

II *Disposal of surplus stocks of publications* With a view to effecting expeditious disposal of obsolete publications or surplus stocks before the transfer of the Central Publication Branch to Delhi, alphabetical lists of publications were prepared and supplied to the Departments of the Government of India concerned. Substantial quantities of publications have accordingly been disposed of by sale as waste paper, and, in some instances, by effecting free supplies to public bodies in accordance with the instructions of the Departments concerned

Instructions have also recently been issued by the Auditor General that audit should review the stock balances of publications in the Central Publication Branch in order to see that stocks of publications find reasonable sales from year to year, and that a review of such publications as are not in demand for a considerable time is included in the audit report every year. The audit officers have further been instructed to bring to notice any cases detected in course of audit where apparent waste has occurred by preventable errors in print orders

III *Number of publications printed and the number utilised*—Stock ledgers showing the number of copies of all publications printed and utilised are maintained in the Central Publication Branch for accounting of stock and guidance in connection with the future publications of a similar nature. These ledgers give a complete list of all Government publications

IV *Utilization of covers of Debates of Indian Legislature as an advertising medium for Government publications* The question of utilising the covers of the Debates as an advertising medium for Government publications is being considered in consultation with the Presidents of the Council of State and the Legislative Assembly\*

## APPENDIX XI.

Memorandum regarding the nature of books and periodicals sent to the India Office and the High Commissioner for India, furnished by the Finance Department on the 27th February 1933 with reference to paragraph 40 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1930-31, Part 1.

At the meeting of the Public Accounts Committee held on the 17th August 1932, the Accountant General, Central Revenues, undertook to ascer-

\*Vide Supplementary Memorandum, Appendix XIV

tam on behalf of the Committee the nature of the books and periodicals referred to in the explanation to sub-head B 2 Other Charges of Grant No 75 Miscellaneous in the Appropriation Accounts of the Central Government (Civil) for the year 1930-31. From the information that has become available it is observed that the item is intended to cover the cost of Indian Newspapers, books and periodicals supplied to the India Office and the High Commissioner for India and of transmitting them either by air mail or by ordinary mail. The Secretary of State and High Commissioner require to be kept in touch with all important matters of general and provincial interest and that object is achieved by furnishing them with the more important of the Newspapers, etc., in the various Provinces. The selection of these papers is made by the India Office and the High Commissioner.

#### APPENDIX XII.

Statement giving particulars of Railway Advertisements in connection with the " Hill Station Advertising " campaign during 1929-30, furnished by the Railway Department on the 9th March 1933 with reference to paragraph 3 " Item No 83 " of the Proceedings of the Public Accounts Committee relating to the Accounts of 1930-31, Part II

[Printed in the Second Part of the Report of the Public Accounts Committee relating to Railways]

#### APPENDIX XIII.

Memorandum on the question of conducting a limited investigation into the adequacy of existing allotments for stationery, furnished by the Department of Industries and Labour on the 25th April 1933 with reference to paragraph 31 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1930-31, Part I

This memorandum has been prepared with reference to the following observations in paragraph 31 of the proceedings of the fourth meeting of the Public Accounts Committee held on the 11th August 1932

##### *Grant No 74 Stationery and Printing*

" 31 The Committee discussed with the departmental witnesses the question of the monetary allotments for stationery fixed by the Controller of Printing and Stationery. As the Stationery and Printing Department was a service department, the expenditure was shown under the Stationery and Printing Grant for which the Department of Industries and Labour was responsible. It was considered, therefore, that that Department through its Controller should have a voice in fixing these allotments. It was, however, thought desirable that, as the allotments had been fixed some years ago, the Controller should make a limited investigation into the adequacy of the existing

allotments by examining one or two typical offices. A system of combined control both by the departments and by the Controller with powers to the Controller to bring to notice any extravagance in the use of stationery by departments was considered to be the ideal system."

2 The attention of the Controller of Printing and Stationery was drawn to the recommendation of the Public Accounts Committee. He has pointed out that all allotments are fixed annually in accordance with Rule 17 of the Rules for the Supply and Use of Stationery Stores, which provides for the following

(1) A general examination of the indents complied with during the year preceding that for which the allotment is to be fixed. This includes the scrutiny of demands with a view to check that

- (a) the model scales laid down of annual requirements of articles in general use have been followed,
- (b) the stocks in hand justify the quantities indented for,
- (c) the articles are those which are ordinarily required for office use, and
- (d) indents for expensive imported articles have been restricted to the minimum and, whenever possible, articles of local manufacture have been substituted.

(2) Examination of any variation in the strength of the staff of an indenting officer

3 In addition to the above, monetary allotments are fixed each year on the basis of the average *per capita* expenditure for the past three years, taking into account the prices of stationery current for the year and any other special circumstances

In view of the position explained above, there is no need for the investigation suggested by the Committee

4 The system of combined control recommended by the Committee is also provided for in rule 8 of the Rules for the Supply and Use of Stationery Stores, under which the Controller of Printing and Stationery is required to bring to the notice of the departments concerned any serious breach or instance of continued neglect of the Rules

#### APPENDIX XIV.

Supplementary Memorandum on the question of utilising the cover of the volume of Assembly Debates as an advertising medium for Government publications, furnished by the Department of Industries and Labour on the 29th June 1933 with reference to paragraph 23 ("Item 57") of the Proceedings of the Public Accounts Committee relating to the Accounts of 1930-31, Part I

In part IV of the Memorandum (Appendix X) on the subject of printing of publications, it was stated that the question of utilising the covers of the

Debates of the Indian Legislature as an advertising medium for Government publications was being considered in consultation with the Presidents of the Legislative Chambers

2 The Hon'ble the President of the Council of State does not agree to the proposal and the Hon'ble the President of the Legislative Assembly has made the following observations

“ When the Public Accounts Committee recommended the use of the cover of the volumes of Assembly Debates as an advertising medium for Government publications, they did not evidently realise that, apart from Members of the Assembly and the Departments of Government; the public at large do not use the volumes of Assembly Debates very extensively Under these circumstances the value of these volumes as an advertising medium would be very negligible I would like that this matter should again be brought to the notice of the Public Accounts Committee in the light of my observations Apart from this, I am very reluctant to disfigure the volumes of the Assembly Debates with advertisements I believe that the volumes of Hansard are never used as mediums of advertisements I do not see that a sufficient case has been made out for making a departure from the present practice with regard to the Assembly Debates ”

3 Having regard to the provisions of Standing Orders 72 and 75 of the Council of State and Legislative Assembly, the Government of India propose to take no further action in the matter

#### APPENDIX XV.

**Memorandum on the proposal to replace the system of commercial accounts and audit at present in vogue in certain institutions under the control of the Director, Imperial Institute of Agricultural Research, Pusa, by the usual Government accounts to be audited once a year by the outside audit parties of the local Accountants General, submitted by the Department of Education, Health and Lands for the views of the Public Accounts Committee.**

A system of commercial accounts and audit is at present applied to the following concerns under the control of the Director, Imperial Institute of Agricultural Research, Pusa

- 1 Imperial Institute of Animal Husbandry and Dairying, Bangalore
- 2 Imperial Institute of Animal Husbandry and Dairying, Wellington.
- 3 Imperial Cattle Breeding Farm, Karnal.

#### 4 Cultivation and Cattle Breeding experiments in the Agricultural Section, Imperial Institute of Agricultural Research, Pusa

#### 5 Kitchen Garden, Imperial Institute of Agricultural Research, Pusa

2 The accounts of the Farms at Bangalore, Wellington and Karnal are divided into two sections "Education and Research" and "Commercial", to shew on the one hand the cost to Government of the training of students and of research, and on the other of the trading in the produce of the Farms. In the case of the Agricultural Section of the Imperial Institute of Agricultural Research, Pusa, where the system of commercial accounts was introduced from the 1st April, 1928, no such division of accounts has been attempted as it has not been possible so far to lay down with any degree of accuracy a criterion for the allocation of expenditure on the cultivation and cattle breeding experiments between the heads "commercial" and "education and research."

3 As a measure of retrenchment the activities of all the concerns in question, except the Kitchen Garden, have been considerably curtailed. At the Bangalore Farm all cross breeding experiments with European cattle have been abandoned, and attention is being concentrated on breeding high yielding strains of indigenous breeds. The supply of milk also in this farm has been restricted to the demands of the troops. At the Wellington Farm all experimental breeding has been discontinued, the amount of cultivation reduced to a minimum, and the farm is now being maintained solely as a depot for the supply of milk to the troops stationed in the neighbourhood. The herd at the Karnal Farm has been considerably reduced and also the cultivation under direct management of the staff. Similarly at Pusa the cattle breeding operations have been curtailed considerably.

4 The Kitchen Garden at Pusa supplies fruits and vegetables to the staff employed there at market rates. The expenditure on the Garden was Rs 978 in 1930-31 and Rs 976 in 1931-32, while the receipts in those years amounted to Rs 907 and Rs 911 respectively. It has been decided to reduce the expenditure further so as to make the garden entirely self-supporting.

5 The activities of the Agricultural Section at Pusa are confined chiefly to research whether in the Agricultural farm or in the dairy attached to the Section or in connection with manures and silage. These investigations aim at practical results which the ordinary agriculturist and dairyman may be able to apply in his own business. But the maintenance of a system of commercial accounts at the Institute cannot give any idea of the expenditure which the cultivator himself would have to incur, if he were to adopt a new method recommended by the Institute after prolonged research. The commercial activities of the Farms at Karnal and Bangalore also have been reduced to a minimum and what little remains is inseparably connected with research and education.

6 In view of the considerations mentioned above, it is proposed that the usual system of departmental accounts to be audited once a year by outside audit parties of the local Accountants General may be adopted instead of

commercial accounts, ther by effecting an economy in expenditure on clerical establishment. The change will be made only in respect of the Institute at Bangalore, the Farm at Karnal and the Agricultural Section and Kitchen Garden at Pusa. If the system of commercial accounts is discontinued, it will be possible to dispense with a post on Rs 100 240 per mensem at Pusa. Much of the time at present devoted by the staff of the offices of the Accountants General, Bihar and Orissa, Madras and the Punjab to the audit of these accounts will also be saved. In consequence of the urgent need for economy, one post on Rs 40—100 per mensem at each of the farms at Bangalore and Karnal has already been abolished, but these posts will have to be revived, if it is decided to continue the system of commercial accounts. In the case of the Farm at Wellington, which, as stated in paragraph 3 above, is now being maintained solely as a milk depot for the supply of milk to the troops stationed in the neighbourhood, no change in the present system of commercial accounts is proposed.

7 Before issuing any orders, the Government of India would welcome an expression of opinion from the Public Accounts Committee on the suggested change.

#### APPENDIX XVI.

**Memorandum regarding reduction of stores balances with the Civil Departments of the Government of India, furnished by the Finance Department with reference to paragraph 22 of the Report of the Public Accounts Committee on the accounts of 1930-31, Part I**

In paragraph 22 of Part I of their Report on the accounts of 1930-31, the Public Accounts Committee recommended that the general question of reducing stocks of stores by revising the basis of calculation of working balances to two months' consumption in the case of stores obtainable locally and six months' consumption in the case of other stores, should be examined by the Civil Departments. The recommendation was brought to the notice of those departments. Their reports indicate that

- (i) the practice in some cases is already in conformity with the recommendation of the Committee,
- (ii) in some cases, though the supply is conveniently obtained annually or for more than six months at a time, for reasons of economy there is no accumulation of stock,
- (iii) in some cases, steps are being taken to reduce stocks in accordance with the Committee's recommendation,
- (iv) in some cases, the recommendation cannot be given effect to in its entirety owing to special reasons the more important of these cases are noted below

##### (a) *Survey of India-Mathematical Instrument Office*

It is not practicable to work on a basis of six months' consumption, owing to considerable variations in the demand. Care is however being taken to see that any undue accumulation of stocks is checked.



(b) *Imperial Institute of Veterinary Research, Muktesar*

A large proportion of the medical stores is purchased through the D. G. of Stores, London, and as it takes about 9 months to obtain them, the Director estimates his requirements for at least 18 months ahead. As regards other stores obtained from Bombay and Calcutta through the Indian Stores Department, it is necessary to continue the present arrangements under which a stock of six months' requirements is maintained in consideration of the peculiar circumstances of the Institute, both as regards its isolation and the great necessity for avoiding any breakdown in connection with the preparation and distribution of the sera and vaccines manufactured at the institute.

(c) *Imperial Institute of Agricultural Research, Pusa and Dairry Farms*

Stock of articles such as coal, crude oil lubricants, etc., has sometimes to be kept on the basis of more than 6 months' consumption in view of seasonal and emergent demands.

(d) *Central Research Institute, Kasauli*

Stocks of vaccine capsules have to be kept on the basis of  $1\frac{1}{2}$  years' average requirements. These capsules are essential for the routine production of prophylactic vaccines and as emergent demands may be made at any time, it is necessary to keep a large reserve.

(e) *Security Printing and Currency Note Press*

*Currency Notes*

An average of three months' stock is considered to be the minimum safe balance.

*Stamp Store*

After very careful consideration, it has been decided that (1) the stock of postage stamps (other than one-anna stamps booklets) maintained at the Central Stamp Store should be reduced from 6 months' to 3 months' consumption, (2) the reserve stock of postage stamps and postal stationery maintained at local stamp depots in addition to the quarterly or annual requirements, should be reduced from 5 months' to 3 months' consumption.

2. A separate memorandum<sup>\*</sup> will be circulated regarding the Public Works Department.



## APPENDIX XVII.

Statement of the actual action taken by Government on the proposals for retrenchment made by Mr A. C. Badenoch, C.I.E., I.C.S., in his report, dated the 26th April 1932, furnished by the Finance Department on the 25th July 1933 with reference to paragraph 13 (iii) of the Report of the Public Accounts Committee on the Accounts of 1930-31, Part II.

[Printed in the Second Part of the Report of the Public Accounts Committee relating to Railways]

<sup>\*</sup>Vide Appendix XVIII

### APPENDIX XVIII.

**Supplementary Memorandum regarding reduction of stores balances with the Public Works Department of the Government of India, furnished by the Finance Department with reference to paragraph 22 of the Report of the Public Accounts Committee on the Accounts of 1930-31, Part I.**

In paragraph 2 of the Memorandum regarding reduction of stores balances with the Civil Departments of the Government of India (Appendix XVI), the Finance Department promised to circulate a separate memorandum regarding the Public Works Department. The Department of Industries and Labour requested the Provincial Governments and Local Administrations, etc., to take necessary steps to give effect to the recommendations of the Public Accounts Committee, wherever practicable, in the case of stores debitable to Central Public Works heads of expenditure. The replies received from the various authorities show that action has been, or is being, taken by such of the Authorities as maintain such stock of stores to reduce it, in most cases, to the limits recommended by the Committee, and, in others, even below these limits.

### APPENDIX XIX

**Memorandum furnished by the Finance Department on the proposed amendment of rule 51 of the Indian Legislative Rules so as to clarify the position of the Public Accounts Committee in special cases of extension of the life of the Legislative Assembly beyond three years (vide paragraph 2 of the Proceedings of the meeting of the Public Accounts Committee held on the 26th June 1930).**

Rule 51 of the Indian Legislative rules provides for a Public Accounts Committee lasting three years only, which is the normal term of the Assembly. Under sub-rule (4) of that rule, at the end of the first year of its constitution half the elected members retire and at the end of the second year the other half retire. There is no provision in the rules as to what is to happen at the end of the third year, should the normal life of the Assembly be prolonged, as will be the case with the present Assembly. It has been suggested both in the Public Accounts Committee and in the Legislative Assembly that the rule should be amended to remedy the defect. The amendment may take any of the following forms

- (1) That members elected to replace those who retire on the expiry of one year from their election should retire at the end of the third year and those elected to replace the members retiring on the expiry of the second year should retire at the end of the fourth year, and so on,
- (2) That at the end of the third year, sub-rule (4) should again come into operation, as if a new Public Accounts Committee were then starting its life,
- (3) That a new Public Accounts Committee should be elected at the end of the third year, which should be left thereafter to the operation of rule 51 as it stands

2 It is proposed to refer the matter to the Legislative Assembly by moving a resolution on the subject. But before this is done, Government would welcome an expression of opinion by the Public Accounts Committee as to which of the three proposals is acceptable to the Committee so that the particular proposal accepted by the Committee might be incorporated in the resolution.

## APPENDIX XX.

Memorandum regarding tenders for contracts of the Posts and Telegraphs Department, furnished by the Director General of Posts and Telegraphs on the 12th August 1933 with reference to paragraph 60 of the Proceedings in this Part page 40.

I was desired by the Public Accounts Committee, on the occasion of my recent meeting with that body, to furnish it with information as to the existing orders relating to the obtaining of tenders for contracts to be made by the Posts and Telegraphs Department, and I accordingly submit the following summary of the existing position in this Department

- (1) Call for tenders The existing orders are that a consistent policy of calling for tenders in all suitable cases, in proper time, should be strictly followed Heads of Circles have been instructed that the practice of calling publicly for tenders and settling the disposition of business with due regard to the ordinary principles affecting such matters should be rigidly observed unless there is a positive objection to this in the particular case in hand

Instructions to Heads of Circles on this subject were summed up in the observation that the test to be applied in deciding whether or not to call for tenders is not the question whether a financial advantage is to be expected from doing so, but is the question, whether it is positively objectionable on public grounds to call for tenders in this case If the answer, as nearly always would be the case, to this question is in the negative, then tenders must be invited

- (2) As regards the question whether the lowest or any other tender should be accepted, the instructions issued to Heads of Circles are that the lowest tender should generally be accepted, but that careful enquiry about the solvency and character of the tenderer should be made beforehand A deviation from the above principle is however recognised as being admissible if all of the following three conditions are satisfied

- (i) when the difference between the lowest tender and that what it is intended to prefer is inconsiderable, i.e., when the latter does not exceed the former by a sum greater than  $2\frac{1}{2}\%$  of the former,
- (ii) the character of the past work of the contractor to be preferred has been so eminently satisfactory as to justify the expectation of definitely better service than *prima facie* is likely from his competitor, and
- (iii) the contract is one of such importance that continuity of service in it is worth paying for

- (3) Report to Audit, etc    There is no definite order at present in force as to sending a report to Audit in the event of dispensing with a call for tender or non-acceptance of the lowest tender. But the reason for the non-acceptance of the lowest tender is required to be recorded. It is the established practice for Heads of Circles to submit to the Directorate reports of cases in which they do not call for tenders and these reports when received are submitted to the Financial Adviser, Posts and Telegraphs, for concurrence in the action of the Heads of Circles. As regards non-acceptance of the lowest tender, no report is submitted to the Directorate by Heads of Circles in cases in which they can sanction contract payments within their own powers of sanction, *viz*, up to Rs 1,000 per mensem in each case. Where the amount involved is more than Rs 1,000 per mensem it is the practice to submit the case to the Financial Adviser, Posts and Telegraphs, for his approval.